Dart & Kraft, Incorporated Annual Report -- 1982
America's Corporate Foundation; 1982; ProQuest Historical Annual Reports
pg. 0_1

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Table of Contents

Financial Highlights *1*
Letter to Shareholders *2*
Consumers in a Changing World *5*
Operations Review *18*
  Food Products Segment *18*
  Direct Selling Segment *20*
  Consumer and Commercial Products Segment . . *22*
  Specialty Products Segment *24*
Summary of Selected Financial Data *26*
Financial Review (Management's Discussion and Analysis of Financial Condition and Results of Operations) *27*
Statement of Income *32*
Statement of Changes in Financial Position *33*
Balance Sheet *34*
Statement of Shareholders' Equity *36*
Notes to Financial Statements *37*
Auditors' Report *47*
Responsibility for Financial Statements *47*
The Effects of Inflation on Dart & Kraft *48*
Officers, Directors and Committees of the Board . . *50*
Corporate Information *52*
Financial Index *53*

About the Cover

Dart & Kraft, Inc., a multinational food, consumer and commercial products company, is an integral part of today's changing lifestyles and demographics. Throughout the home and elsewhere, the company's businesses—Kraft, Tupperware, Duracell, Hobart, West Bend and Specialty Products—are addressing consumer and customer priorities with products that provide quality, value and convenience. (Please see inside back cover for Dart & Kraft product identification.)

Annual Meeting

The Annual Meeting of Shareholders will be held at 11:00 a.m. on Thursday, May 5, 1983, at the Tupperware Convention Center, South Orange Blossom Trail, Orlando, Florida.

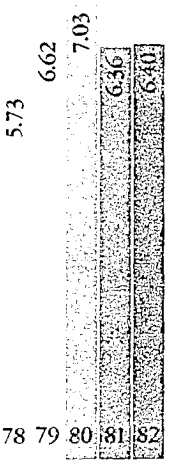
Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Financial Highlights

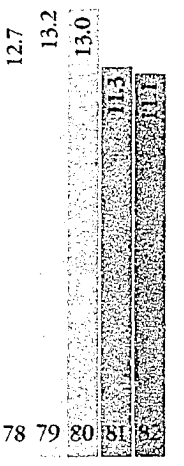
Dart & Kraft, Inc. and Subsidiaries

(Dollars in millions, except per share)	1982	1981	1980
Net sales	$ 9,974	$10,211	$ 9,111
Provision for taxes on income	$ 307	$ 296	$ 330
Per share	$ 5.61	$ 5.43	$ 6.06
Operating profit after tax	$ 423	$ 378	$ 373
Per share	$ 7.74	$ 6.92	$ 6.85
Translation and nonoperating items after taxes	$ (73)	$ (30)	$ 10
Per share	$ (1.34)	$ (.56)	$ .18
Net income	$ 350	$ 348	$ 383
Per share	$ 6.40	$ 6.36	$ 7.03
Dividends to shareholders—	$ 197	$ 185	$ 150
Per share of common stock:			
Dart & Kraft	$ 3.60	$ 3.40	$ .80
Kraft	—	—	2.40
Dart	—	—	1.50*
Capital expenditures	$ 336	$ 346	$ 337
Depreciation	$ 189	$ 198	$ 153
Return on total capital	11.1%	11.3%	13.0%
Shareholders' equity	$ 2,774	$ 2,718	$ 2,621
Return on average equity	12.8%	13.0%	15.3%
Number of shareholders	78,808	83,393	86,050

**1980 dividends—Dart & Kraft fourth quarter only*
Kraft and Dart Industries, first three quarters only



Earnings Per Share
Dollars



Return on Total Capital
Percent

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Letter to Shareholders

To Our Shareholders:

Dart & Kraft performed well in 1982, a year of continuous economic difficulty. The company is a well-balanced mix of comparatively recession-resistant businesses and others more directly affected by economic conditions. This diversity provides steady growth in periods of cautious consumer spending, such as 1981 and 1982, and should provide more dynamic progress when the marketplace is robust.

Earnings were $6.40 per share, or $350.3 million, in 1982. This includes net nonoperating charges of $1.16 per share, or $63.6 million, which incorporates a provision of $1.46 per share, or $79.9 million, principally for the restructuring of Kraft Europe. In 1981, earnings of $6.36 per share included a charge of $1.20 per share, or $65.8 million, for the loss on the sale of Thatcher Glass Manufacturing Company. Operating profit, which excludes nonoperating as well as foreign currency items, was $7.74 per share, or $423.6 million, a gain of 11.8 percent over 1981. Sales totaled $9.97 billion. Excluding discontinued operations, sales increased 3.0 percent over 1981. Considerable detail about these results is available in the financial section of this report.

The action regarding Kraft's European operations and the sale of businesses such as Thatcher Glass are the results of careful analysis to determine which businesses can contribute, each in its own way, to the long-term strength and profitability of Dart & Kraft. While strategic review is ongoing, we believe that all of our present major business units are, or have the potential to become, significant factors in the achievement of our long-range goals. We do not anticipate further changes requiring substantial charges to earnings.

Certain of our businesses are cash generators, providing a steady return on investment and strong cash flow. Some are capable of high returns, sustainable over time. And still others are positioned in areas of rapid growth. All are important.

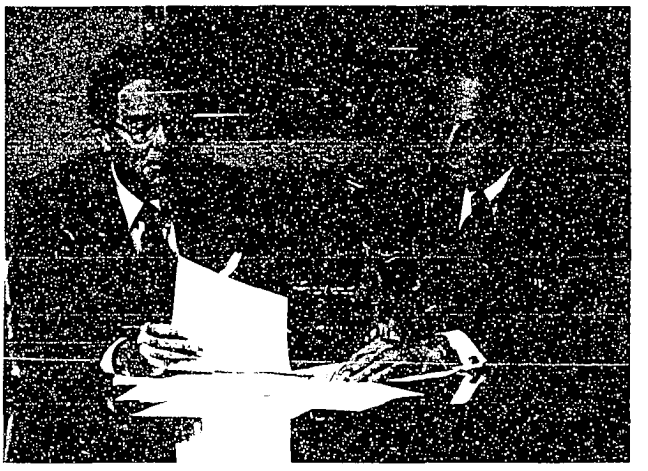
In order to enhance shareholder value by attaining a maximum return on corporate assets coupled with continued earnings growth, our objective is to have a predominant portion of the company's sales and assets in businesses that have, or can achieve, a relative competitive advantage. During 1983, we will continue:

- increasing operating effectiveness through more precisely defined balance-sheet management, capital expenditure controls and redeployment of assets;
- focusing special attention on our operations in "hyperinflationary" countries, (currently Argentina, Brazil and Mexico) with the goal to make them positive

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

"The company is a well-balanced mix of comparatively recession-resistant businesses and others more directly affected by economic conditions."

"We regard 1983 as a year in which to focus primarily on internal growth and the further development of our basic businesses."



Warren L. Batts *John M. Richman*

contributors in terms of dollar earnings;

- expanding product categories through new applications of and improvements in existing lines, new product development and line extensions; and
- concentrating on "real performance," which in many instances means unit volume gains and market share growth, while seeking or maintaining low-cost producer status in the markets our businesses serve.

As we proceed, we intend to remain flexible and opportunistic—able to adapt and adjust to changes in the way people live and the economic implications of these changes. More about this is contained in a brief essay immediately following this letter. It suggests that shifting demographics and economic volatility appear to be two dominant characteristics of the 1980s. For Dart & Kraft, this means the continuing refinement of solid business unit strategies, as well as our overall corporate strategy.

The increase in operating profit over 1981 is principally derived from the continued growth and strength of the various food businesses that constitute Kraft and the improved profitability achieved by Hobart's new management team. In fact, we see Hobart as a good example of our ability to develop and implement new strategies. That business is now organized to focus better on its market segments, thus enhancing its quality leadership position in the commercial food equipment and home appliance industries. Through product-line rationalization coupled with new equipment introductions, Hobart is responding to changing customer needs.

In general, Dart & Kraft's operating groups strengthened their competitive positions in 1982 and began this year in very good condition. To support their growth, the company has the capability to generate the funds internally that are necessary to modernize and expand and to borrow substantially more if necessary and still maintain the security and integrity of our double-A bond rating. Last year, capital expenditures totaled $336 million, and spending for research and development amounted to $86.5 million.

The company's long-term success also depends on the presence of strong management and several important moves have been made since our last annual report. Michael A. Miles, an outstanding food

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

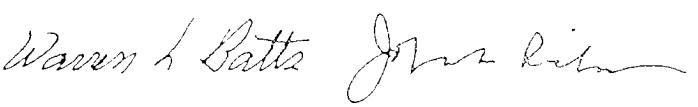
industry executive, joined Kraft as its president and, on March 1, 1983, assumed the additional responsibilities of chief operating officer of Kraft and group vice president of Dart & Kraft. He succeeds Arthur W. Woelfle, a director, who has become chairman of Kraft and vice chairman of Dart & Kraft. We also were pleased to elect E. M. Davis, president of Hobart, a group vice president of the corporation. A. J. English was named president of The West Bend Company following his commendable leadership of its Canadian subsidiary.

Hamer F. Wilson, chairman of Tupperware International, has chosen not to stand for re-election to the Board of Directors. Having joined the Tupperware organization in 1954, he managed the growth of its independent dealer, manager and distributor sales force, directed its expansion into international markets and developed much of our fine Tupperware management team. We will continue to draw from his counsel and years of experience.

In February 1983, the Board of Directors raised your quarterly dividend to 96 cents per share, an increase of 6.7 percent. On an annual basis, the dividend rate is $3.84. It is the Board's intention, beginning next year, to give in-depth consideration to dividend increases at its May, rather than its February, meeting thus allowing for a more informed assessment of financial trends.

We regard 1983 as a year in which to focus primarily on internal growth and the further development of our basic businesses. Accomplishing this in an uncertain world economy is a challenge that we believe Dart & Kraft is well-positioned to meet.

Sincerely,



Warren L. Batts
President

John M. Richman
Chairman and
Chief Executive Officer

March 14, 1983

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Consumers in a Changing World

With over 80 percent of its product lines directed toward consumers, Dart & Kraft's research and development efforts must address changes in lifestyle and demographics in the world marketplace if the company is to maintain and enhance its competitive edge. Dart & Kraft's commitment to achieving growth through internal resources has prompted the doubling of research and development expenditures in the past three years.

A substantial part of this research focuses on trends that affect industry's traditional perception of the consumer. In the United States and elsewhere, these include expanding roles for both women and men, a changing definition of family, increasing numbers of minority consumers and an aging population. Heightened awareness of the value of time, money and health is another significant development. And, there is recognition of an emerging global society, with many similar consumer preferences.

Increasingly, men and women are exploring and acting upon a wide variety of options. Women have far more opportunities

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

As household formations proliferate and people expand their roles in society, new consumers and new consumer demands create increased opportunities for growth.

for meaningful employment outside the home and, in greater numbers, are preparing themselves for career objectives through advanced education and training. Today, 52 percent of all women, 16 years and over, comprise 43 percent of the U.S. workforce. Meanwhile, men are freer to participate more fully within the home and in their role as parent.

Household formations have increased at a phenomenal rate—up almost 25 percent from 1970 to 1980. They are projected to rise 23 percent in the present decade. Currently, 39 percent of all households are composed of married couples with children, 22 percent are childless couples and 23 percent are singles. The remaining are single-parent families and others. In this 10-year period, nearly 16 million households were formed, creating a larger number of consumers making purchasing decisions.

Increasingly, these households are Black, Asian or Hispanic. While each of

Kraft food products
Tupperware serving pieces
West Bend buffet appliances

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

these ethnic groups retains a strong sense of identification, they typify other consumer households in most respects.

Whatever the composition of today's households, people are exercising, watching their diet and establishing regular health regimens more than ever before. Physical well-being is a common objective, whether this translates into plenty of fresh air and sunshine or a more vigorous routine of aerobics, jogging or cycling. People are becoming more active in an already activity-oriented society, which is one of the factors contributing to today's flexible attitude about eating. There has been a marked increase in the number of light meals and snacks consumed "on the run," and specially designed containers and packaging allow a choice of both menu and venue.

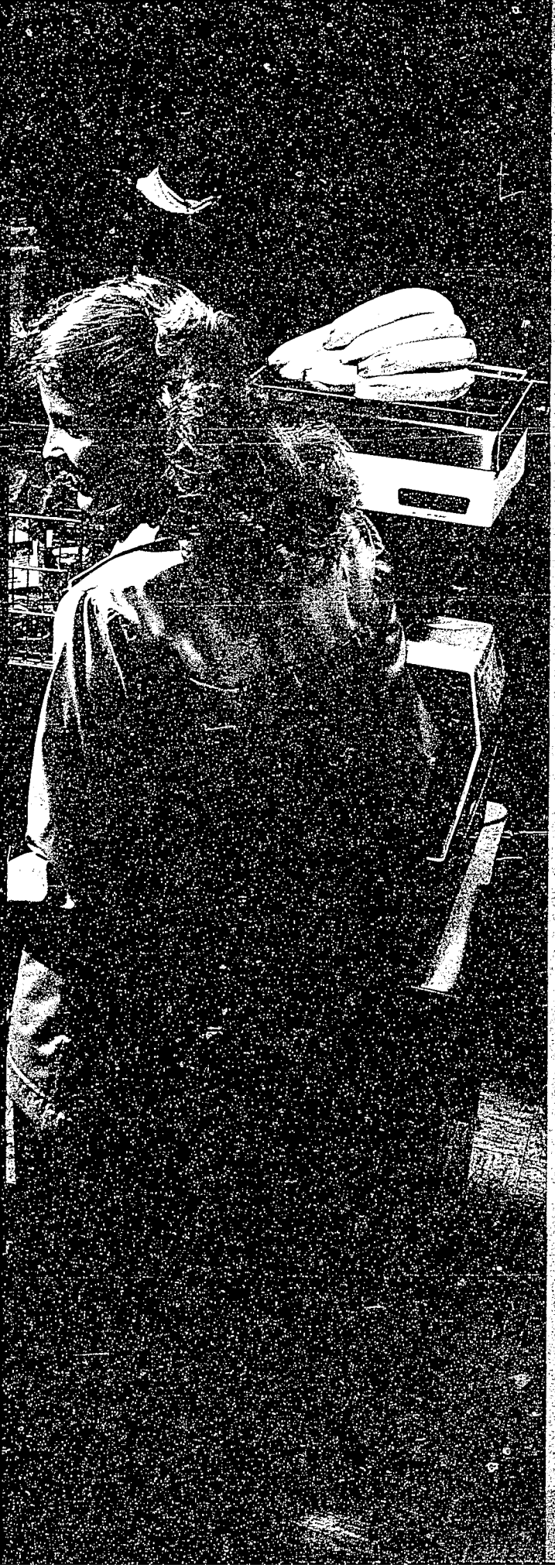
There is also a wider appreciation today for the role that nutrition plays in physical well-being. As scientists uncover the facts, the old adage, "We are what we eat," takes

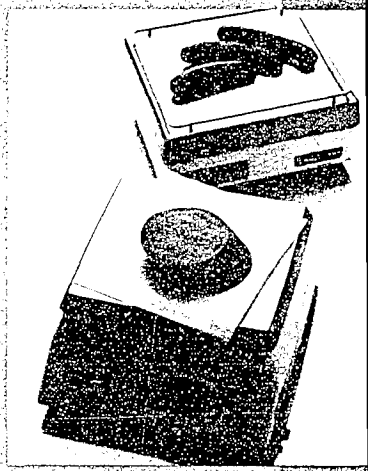
Kraft dairy products
Tupperware convenience product

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.





on new meaning. More people strive to maintain a balanced diet with moderate calorie intake. They have learned to read product labels; and many are looking for appetizing food products that are lower in calories, fat and sodium content. The availability of such products and information in supermarkets is a direct response to growing consumer demands.

Because of recent changes in lifestyles, men and older children often shop for and prepare food. The accelerated pace of daily life has made "quick and easy" the name of the mealtime game. New varieties and sizes of convenience products are sharing supermarket space with family-favorite, time-saving foods. And, the emphasis on convenience has extended beyond grocery items to include the home appliances used for efficient food preparation and clean-up.

Consumers continue to insist on value for their money in everything they buy. There is no substitute for a dependable product at a fair price. Today's economic realities are causing people to closely scrutinize their

Duracell batteries
Hobart commercial equipment
Kraft food products

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

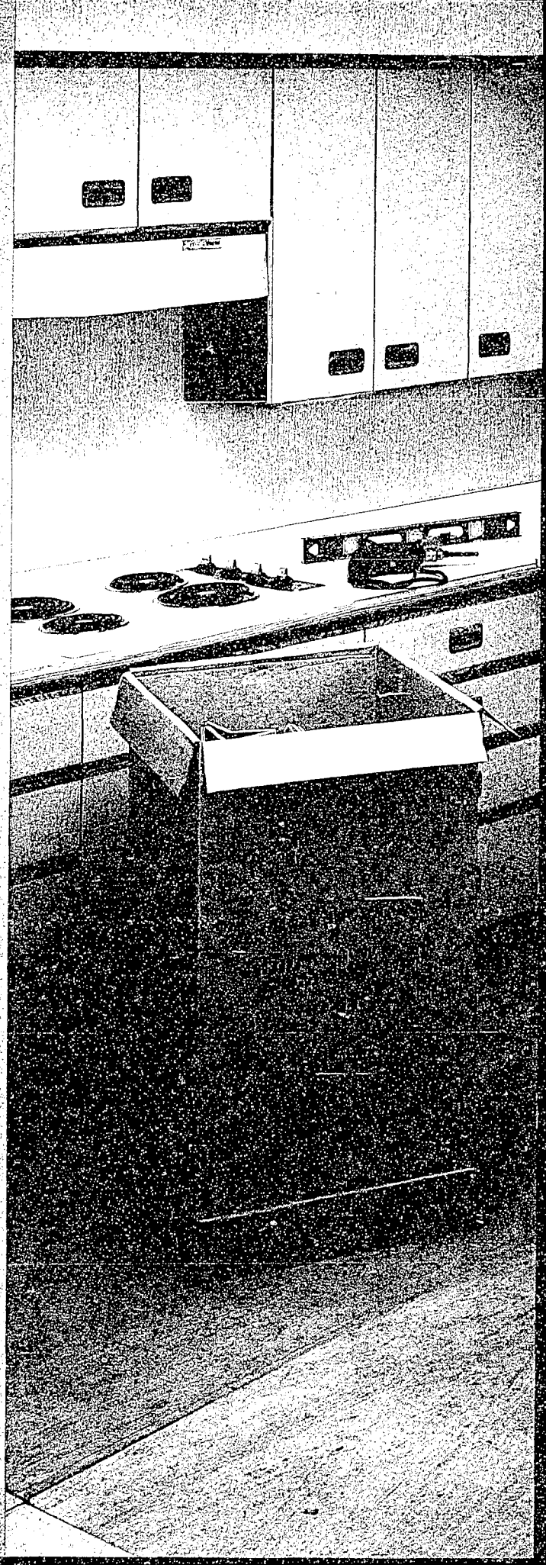
Households scale back and re-assess their surroundings today. They plan a vacation or toss profiles that maximize space, save time and energy, and fit comfortably into the home environment.

budgets in an effort to reduce expenses. As a result, they bring far more knowledge to their purchasing decisions. A less expensive product is worthless if it does not provide satisfaction. Loyalty is earned only through consistent or improved performance.

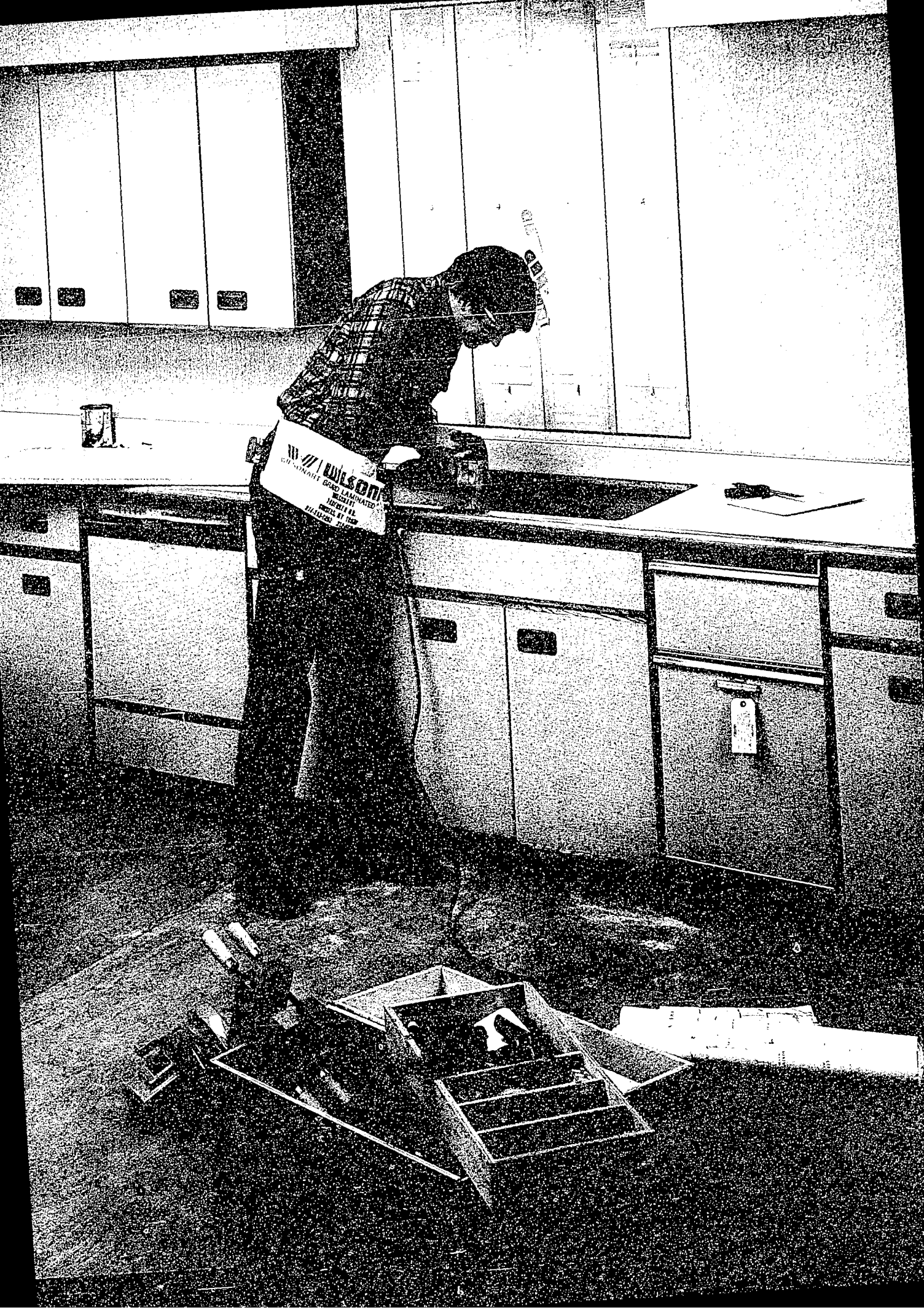
Difficult economic conditions—such as inflation, high interest rates and changing property values—have reduced many people's ability to trade-up in housing. Therefore, they are investing in room additions, improving energy efficiency, remodeling kitchens and baths, or building a backyard pool or patio deck.

People search for value, not only in their homes and in the products they buy, but also in the way they live their lives. In many ways, people are working harder in order to play and relax more. Creative, meaningful leisure activity doesn't just happen: it is planned. "Quality of life" has become a common goal, and the importance of recreation as part of this objective seems to have

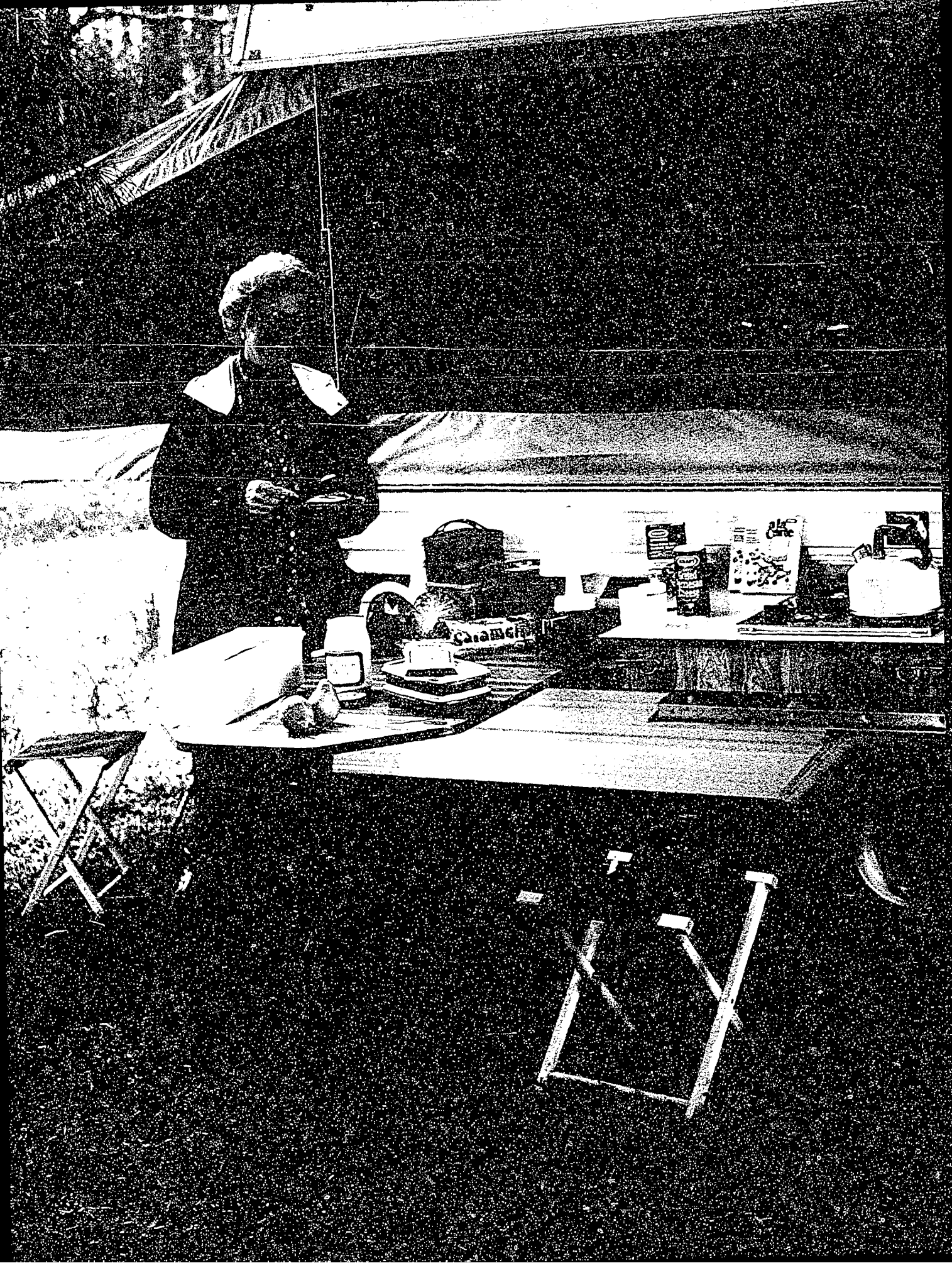
KitchenAid *home appliances*
Wilsonart *decorative plastic laminate*



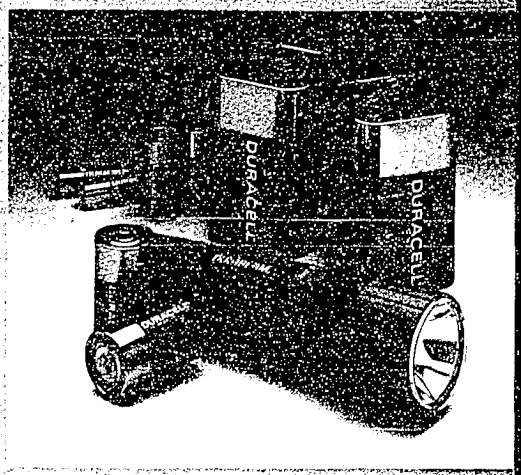
Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.



Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.



Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.



no age limitation. Today, more senior citizens are having fun and are as involved in life-enriching experiences as their younger counterparts.

What is different, though, is the growing magnitude of this older generation. The average lifespan in the United States has increased from 47 years in 1900 to more than 73 today and is projected to be 77 in the year 2000. Two out of five adults are over 49, an age after which changes in circumstance—such as children leaving home, retirement, loss of spouse or decline in health—generally begin to occur. While it is these situations that affect attitudes rather than the mere passage of time, most older people today are more energetic, productive and contemporary.

Life, in general, has become far more casual. People are likely to entertain informally with a cookout, brunch or a Tupperware Party. Such entertaining calls for

Duracell products
Kraft food products
Tupperware serving and storage containers
West Bend cookware

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

barbecue grills, buffet appliances, serving pieces and accessories that can be integrated into a relaxed atmosphere. The most essential ingredient is the imagination of the host or hostess.

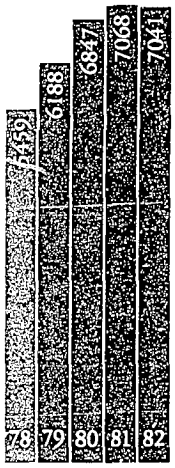
While statistics relating to life in the United States largely have been used to illustrate these trends, market research indicates that the basic information has application in many world markets. Linked by a network of communication satellites and easy-access transportation, the planet has become a global community. Worldwide consumer attitudes and preferences are developing along similar lines with the passage of time. Product adaptations in formula or design are often needed to better serve local custom, but there is less and less differential in how people of the world live.

Dart & Kraft in Canada:
Kraft food products
Tupperware serving and food storage products
West Bend portable gas grill

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Food Products



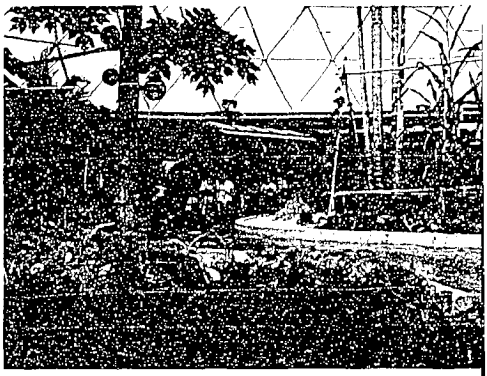
Food Products Sales
Millions of dollars

Food Products segment, or Kraft, Inc., sales were down slightly in 1982, but operating profit was up 9 percent. Tonnage increases in all major product lines, except fluid milk and citrus products, contributed to the profit gain.

The U.S. Retail Food Group, which accounted for 46 percent of Kraft dollar sales in 1982, produces and markets both process and natural cheese, margarine, salad dressing products, barbecue sauce, packaged dinners, jellies and preserves, citrus products, confections and frozen whipped topping. In 1982, when grocery store sales slowed along with most nationwide consumer spending, the Retail Food Group outpaced the industry in tonnage growth in 10 of the 12 product categories in which it competes. *Miracle Whip* salad dressing, *Velveeta* pasteurized process cheese spread, *Parkay* margarine, *Kraft* pourable dressings, *Philadelphia Brand* cream cheese, *Kraft* macaroni and cheese dinner, *Kraft* Singles pasteurized process cheese food and *Kraft* marshmallows are the industry leaders in their product niches.

During the year, the Retail Food Group capitalized on this broad consumer preference with product introductions or expanded distribution of *La Creme* frozen whipped topping, soft *Philadelphia Brand* cream cheese in flavors, *Velveeta* pasteurized process cheese spread slices, *Kraft* bacon and tomato dressing and *Kraft* spiral macaroni and cheese dinner. The group began test marketing *Philadelphia Brand* Light cream cheese and pourable dressings, *Miracle Whip* Light salad dressing and *Nutter-Bits* caramels.

Since opening October 1, 1982, over 4 million guests have "Listened to the Land" at the EPCOT Center pavilion presented by Kraft.



Continuing its emphasis on lowering costs, the Retail Food Group implemented productivity and cost-saving programs in plants and distribution centers resulting in a $24-million improvement, or a 5-percent increase in the number of pounds produced per employee. Also, inventories were reduced substantially despite a significant increase in sales tonnage of 2.2 percent. Energy usage per unit of product decreased 4.5 percent in 1982, representing an additional savings of $1.6 million.

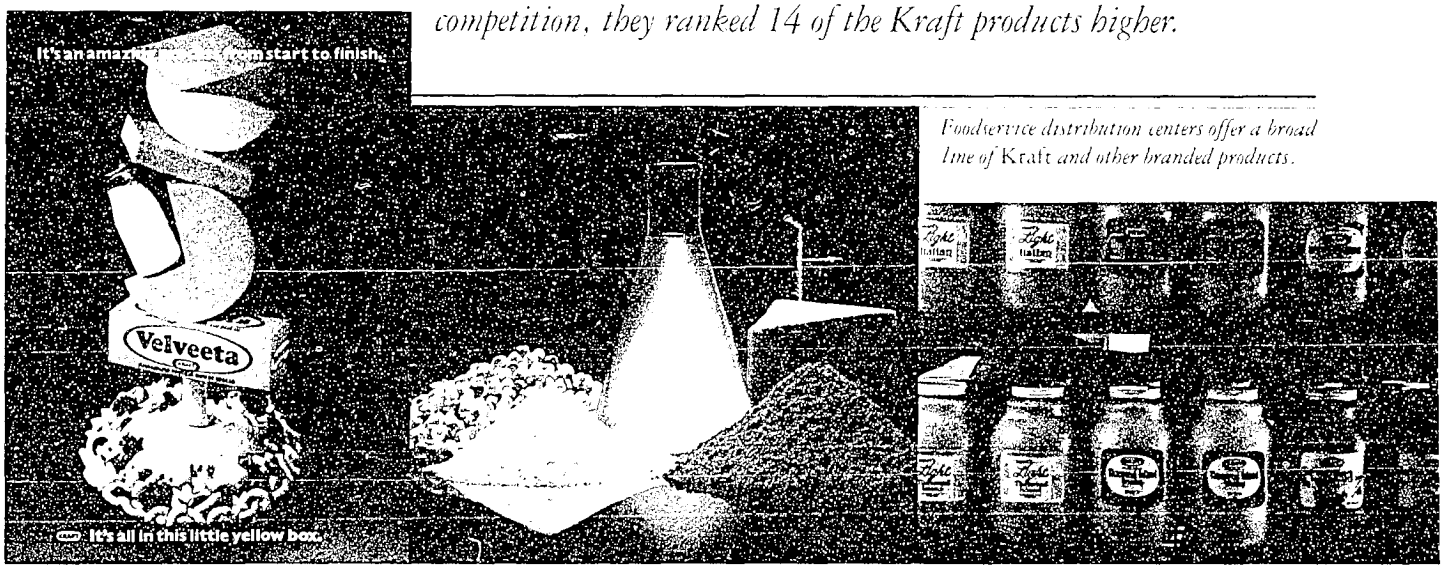
During 1982, the Dairy Group continued to shift its emphasis toward value-added products, concentrating on the growth of its strong *Sealtest, Breyers, Light n' Lively* and *Breakstone's* brand franchises, and away from commodities such as fluid milk and other low-margin product lines.

Dairy, which accounts for 12 percent of Kraft sales, increased both research and development and advertising and promotion expenditures in order to strengthen its presence throughout its primary serving area, which includes markets east of the Mississippi River.

One result of these efforts was the test marketing of *Polar Caps* ice cream and cookie sandwiches, which quickly followed the successful introduction of the Dairy Group's *Polar B'ar* ice

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Altogether in 1982, over six billion pounds of Kraft products worldwide, valued at $5.5 billion, moved through retail food stores. When U.S. consumers were asked recently to rate the quality of 15 Kraft products versus their nearest competition, they ranked 14 of the Kraft products higher.



Foodservice distribution centers offer a broad line of Kraft and other branded products.

Not 60 years old, just 60 years better—and still growing

Kraft uses half of its processed ingredient output in its own packaged foods

cream squares. Another new product in test market is *Breakstone's* gourmet dips, made with its real sour cream.

Most of the Dairy Group's capital expenditures in 1983 will be allocated to facilities and equipment for the processing of new products.

Foodservice, which accounted for 9 percent of 1982 Kraft sales, redefined its competitive approach during the year. Local managers have been given greater autonomy over pricing, determination of products offered and delivery procedures. The development of special-formula products for national accounts was given a high priority. Group overhead expenses were trimmed. By year end, Foodservice had improved substantially its income contribution and return on investment and had an organizational structure in place to allow for further business development.

In 1982, sales of the Industrial Foods Group amounted to 6 percent of Kraft's total. The group had a record 13-percent growth in tonnage of edible oil products, which are sold to both private-label and foodservice customers and to manufacturers of processed foods.

Shipments of industrial ingredients, including a broad line of natural, process and powdered cheese products and flavors; imitation cheese; confections; and dairy and non-dairy proteins increased 20 percent in tonnage.

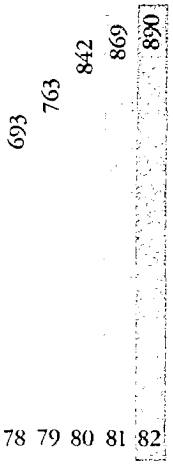
In 1982, the capacity of the non-dairy creamer operation at Champaign, Ill., was doubled. It also marked the first full year of the group's operation of the emulsifier business acquired in July 1981.

International operations accounted for 27 percent of Kraft sales in 1982. Kraft Limited of Canada produced record results with an operating-profit gain of 26 percent. Latin America was up 21 percent and the Pacific area, principally Australia, increased 9 percent. In Europe, operating profit rose 15 percent.

In recent years, profit performance in Europe has been inconsistent. To improve profitability, a major reorganization of Kraft Europe was begun in fall 1982. Directed by aggressive new management, appointed in May, this program entails reduction of overhead and excess capacity, capital investment to improve productivity and concentration on value-added product lines to serve this key market.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Direct Selling



Direct Selling Sales
Millions of dollars

Direct Selling segment, principally Tupperware International, increased sales 2 percent in 1982, while operating profit declined 3 percent. This decline was due to the adverse effect of translating foreign profits into U.S. dollars. Generally, results were ahead in local currencies, but the strong exchange value of the U.S. dollar produced negative year-to-year comparisons in consolidation.

In the United States, Tupperware had record sales and profits. Sales increased 14 percent over 1981, while operating profit improved 15 percent. In addition, more parties were held, resulting in a 7-percent increase in cartons of product shipped. This offset a decline in sales per party, which is typical in a period of recession.

The resiliency of the Tupperware home party sales plan in recessionary times is further reflected in the growth of the U.S. independent dealer, manager and distributor force. Increasingly, many people are choosing Tupperware as a career change and are discovering Tupperware as a viable enterprise with unlimited potential. More heads of households are recognizing how much a Tupperware career can benefit an entire family.

Throughout these difficult economic times, Tupperware has concentrated on the productivity of the worldwide dealer force. Its commitment and enthusiasm provide the momentum that results in more parties, more customers and higher sales.

In every country, the home party provides the most effective way to demonstrate the use of Tupperware products to consumers, and it is also a valuable market research tool for the company. Tupperware dealers are in daily contact with customers and pass along their observations to distributors, who are in constant touch with Tupperware management. Through its unique consumer-to-company chain of communication, Tupperware is able to determine and provide what consumers want and need.

During 1982, this process resulted in new products, changes in existing products and timely marketing strategies. The company's ability to keep pace with consumer needs, in turn, helps its dealers succeed as independent business people.

According to Tupperware's research, consumers are concerned about saving space in the reduced kitchen size of today's smaller homes and apartments. The company responded in 1982 with a new product series called *Modular Mates,* five stackable containers in graduated sizes made with see-through panels. The set saves valuable refrigerator, cabinet or countertop space.

When this product was previewed in March 1982 at an international distributor conference in Montreaux, Switzerland, it became the first product in the company's history to be introduced simultaneously for promotional use in every country where Tupperware does business. It was an immediate success in both the United States and abroad.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

A Tupperware year begins with over one million home parties held worldwide. In 1982, that dealer and customer enthusiasm led to 26 percent of Dart & Kraft profits on only 9 percent of sales. That's Tupperware people, products, planning...and performance!

Foods are marinated, without fuss, by inverting the Season-Serve *container*

Creativity can't be contained in a "safety yellow" School Kit from Tupperware

Setting their own income goals, Tupperware dealers start with a small investment of time and no cash outlay

Variations of *Modular Mates* are being used promotionally in 1983 around the world. Customers can anticipate an expanded series of the line that will serve the same space-saving purposes as the original stackables.

U.S. consumers asked for a more convenient way to assemble and ship Tupperware products as gifts. The company responded in the fourth quarter with seven specially coordinated groups of products, each packed in its own self-mailing, holiday-themed gift box.

Basic products are often updated. A product's color, size and shape are always under scrutiny for possible changes to attract consumer interest. *Wonderlier* bowls, which have been part of the line for over 30 years, were offered in new designer colors in 1982.

There are currently more than 225 products offered for sale by Tupperware International. Some items are unique to only a few of the over 30 countries in which the company operates, but the vast majority find consumer acceptance everywhere. Popular products and successful programs are often transferred from country to country, and each usually has 100 to 120 products in its line at any one time. In the 17 countries where Tupperware products are manufactured, there is a common commitment to quality, illustrated by the well-known warranty carried by each Tupperware product.

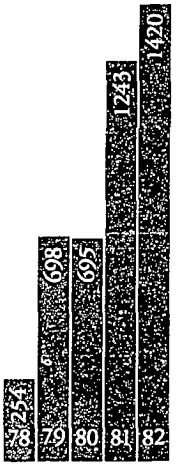
Although the greater part of the line consists of products for storing, preparing and serving food, other items meet the needs of customers outside the kitchen. These include *Tuppercraft* planting systems, products for storage in and around the home, and a special group of imaginatively designed toys for children.

New products are important factors contributing to the success of the sales force. Substantial increases in research and development expenditures in 1981 and 1982 have yielded a number of items that are now in varying stages of development or test market.

In 1982, sales outside the United States represented over half of total sales.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Consumer and Commercial Products



Consumer and Commercial Products Sales
Millions of dollars

Consumer and Commercial Products segment sales and operating profit increased 14 percent and 33 percent, respectively, in 1982. Duracell Inc., Hobart Corporation and The West Bend Company comprise this segment.

During 1982, Duracell continued to gain market share worldwide as the leading manufacturer of high-performance batteries. Alkaline batteries continue to gain share against zinc carbon in the $4-billion worldwide battery market. In the United States, Duracell holds nearly 50 percent of the alkaline battery market which now accounts for approximately half of total battery sales.

At mid-year, Duracell U.S. introduced two alkaline lantern batteries, the first of their type in this product category. It also began marketing a special family of high-performance batteries developed primarily for industrial use.

In December, Duracell acquired the continental European battery business of British Ever Ready Ltd. The acquisition, for $60 million, includes zinc-carbon and alkaline battery manufacturing plants in Germany and Italy, and sales-force distribution in nine European countries under the well-known *Daimon* and *Superpila* trademarks. As a result, Duracell has become Europe's largest battery company. The acquisition more than doubled sales on the Continent and provides a much broader manufacturing and distribution base for future growth.

The total European battery market is slightly larger in units than that of the United States, but alkaline battery penetration is less than 20 percent. The newly acquired zinc-carbon manufacturing facilities provide capability for export to countries where Duracell has not competed previously.

The production and marketing of *Duracell* alkaline batteries in Japan will begin in the second half of 1983 under a joint venture with Sanyo Electric Co. The Japanese battery market is the world's third largest and currently has an alkaline penetration of less than 10 percent.

Since Dart & Kraft's acquisition of Hobart, it has substantially reoriented operations. Hobart has made the tactical moves necessary to reduce costs and excess capacity, as well as to improve marketing and product strategies.

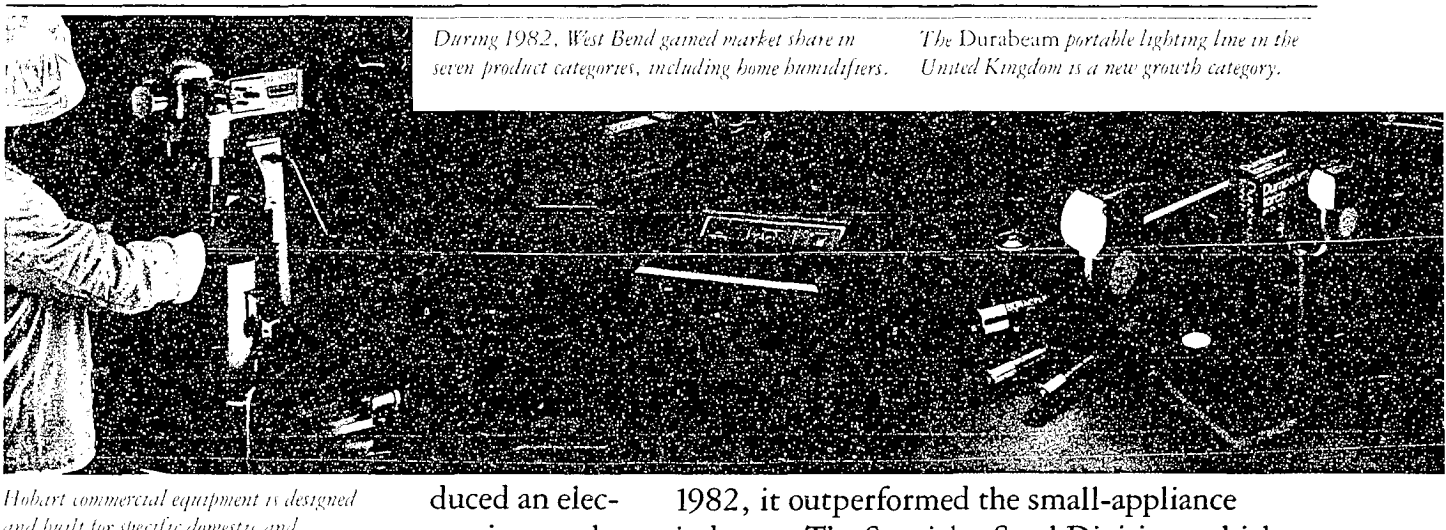
Eleven plants were closed, including four in Europe; and another was converted into a distribution center. Employee count was reduced approximately 16 percent, principally in overhead positions. Over $65 million was trimmed from inventories and receivables. Value-analysis programs raised product quality while also reducing costs.

Each of Hobart's three businesses—Commercial Equipment, KitchenAid and International—is now a highly focused profit center. Commercial Equipment provided 52 percent of Hobart sales in 1982;KitchenAid, 21 percent; and International,27 percent. To capitalize on Hobart's recognized quality leadership, product-development spending was increased over 50 percent in 1982.

New products were offered by all three profit centers. Commercial Equipment intro-

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Competitive advantage in many forms—cost savings, convenience, labor reduction, added value, energy efficiency, extended performance life, and durability—is engineered into Duracell, Hobart, KitchenAid and West Bend products.



During 1982, West Bend gained market share in seven product categories, including home humidifiers. *The* Durabeam *portable lighting line in the United Kingdom is a new growth category.*

Hobart commercial equipment is designed and built for specific domestic and international markets.

duced an electronic stretch wrapper, a programmable counter-top scale and a slant meat saw to the retail food trade. It also marketed a line of gas cooking equipment to complement its electric cooking line and two new warewashers (institutional-size dishwashers) to the foodservice industry. Commercial Equipment did not increase prices in 1982 but was able to maintain profit margins due to the cost reduction programs. Accordingly, market position was strengthened.

KitchenAid introduced a top-of-the-line food processor as part of a new program to expand the premium-quality franchise established by the *KitchenAid* stand mixer. In dishwashers, industry unit volume was down 14 percent; but the introduction of the KD-20 dishwasher led to an increase in KitchenAid's unit volume of 17 percent.

International, which markets only Hobart commercial equipment, is emphasizing products designed to meet the special requirements of each local market. During 1982, commercial stand mixer, warewasher and glasswasher products were introduced.

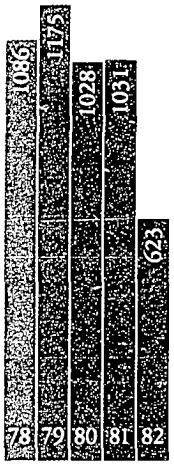
While West Bend did only slightly better in 1982, it outperformed the small-appliance industry. The Specialty Steel Division, which supplies high-grade cookware to independent distributors throughout the world, was a strong performer all year. Recently, the new European-styled MC-2000 line of stainless steel cookware joined the product line. Close attention to quality and costs also contributed to the profit increase.

Both retailers and manufacturers experienced a slow first half as a result of the recessionary economy. However, there was a moderate recovery later in the year, primarily as a result of retailers' "off-price" promotions. West Bend gained share of market in key product categories, including electric skillets, woks, corn poppers and coffee makers.

In Canada, a portable gas barbecue grill sold well, producing a 14-point increase in market share. Further expansion of this product line is planned.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Specialty Products



Specialty Products Sales
Millions of dollars

Specialty Products segment, formerly Plastic and Packaging, sales declined 3 percent and operating profit was down 34 percent in 1982 on a continuing-operations basis. This decline was due primarily to shortfalls in its Plastic Specialties and Decorative Building Products sectors. The Health Care and Packaging businesses were ahead of last year. These four sectors comprise the Specialty Products Group, which now accounts for total segment results.

The group began 1983 with a new name. It was changed to Specialty Products from Chemical-Plastics to more accurately reflect its current businesses which, for the most part, concentrate on particular niches within the plastics industry.

Early in 1982, the operations of Universal Packaging Corporation were transferred from Kraft to Specialty Products to more closely align it with related businesses of the corporation. The group also embarked on a selective divestiture program for operations that either no longer fit its strategic direction or that were confronted with product, industry or technological changes that prevented the achieving of a reasonable level of profitability.

Specialty Products Group sold in 1982, or is in the process of selling, divisions with 1981 revenue of approximately $200 million and average fixed assets and working capital of nearly $70 million. As a result of these actions, only a small percentage of the group's activity remains in the chemical industry. Specialty Products is now in a more flexible position to enhance or further diversify its current business base.

During 1982, there was fierce price competition within certain key markets served by Specialty Products. Margins decreased sharply. Over the year, more than 20 percent of budgeted capital expenditures were deferred; and costs were closely monitored to balance the current benefits of reduced manufacturing and selling costs with the long-term growth prospects of the group.

Ralph Wilson Plastics Co., which manufactures and markets *Wilsonart* decorative plastic laminates, showed signs of sales and profit improvement toward year end after a long period of intense price competition due to industry overcapacity. While *Wilsonart* decorative laminates, the industry leader, successfully increased market share during the year, margins were lower. Despite the decline in operating profit, the company significantly outperformed its competitors. As housing starts continue to pick up, volume will improve commensurately. Decorative plastic laminates are used on counter tops and cabinet facings which are usually among the last items in a new home. Sales to remodeling products distributors and furniture manufacturers will also benefit from an increase in customer spending.

Recently, the company received the American Society of Interior Designers' Products Design Award for the *Color Quest* line of solid-color, design-line laminate.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Concentration on essential products for basic industry, exceptional customer service and technical expertise are fundamental strategies employed by Specialty Products businesses that helped maintain or improve market position throughout the recession.

The prognosis for the Health Care products businesses is excellent

Colorite makes the best-selling garden hose in America.

The Packaging Sector benefits from the strength of its food industry customers, including Kraft

Following the divestiture of certain operations, Specialty Products established the Plastic Specialties Sector composed of Action Technology, Colorite, Synpro-Ware and Wilson-Fiberfil. Action Technology makes corrugated hose and precision plastic components for high-volume applications such as ball point pens and aerosol dispensers. Colorite manufactures both plastic and rubber garden hose. Although leaders in their respective markets, these businesses also faced profit declines last year as a result of economic pressures.

Synpro-Ware and Wilson-Fiberfil, which make plastic additives, colorants and reinforced resins principally for the housing and automotive industries, experienced severe price competition during 1982. Capital expenditures were postponed; and costs were cut through operating efficiencies, increasing the competitiveness of these companies. They remain fundamentally sound and profitability will improve as their markets recover.

Despite less than favorable conditions, sales and operating profit for the Packaging Sector, which includes Universal Packaging Corporation and Rexcel, showed modest gains over 1981. Most of this improvement reflects the ability of these companies to maximize the profitability of their current product mix, while adding sales volume. They make and print folding cartons, plastic containers and flexible wrapping for a variety of food-industry customers.

The Health Care Sector—Seamless Hospital Products and the Absorbent Cotton Company—performed exceptionally well in 1982. Sales increased 14 percent and operating profit improved 28 percent. More aggressive sales and marketing strategies will continue to be implemented.

Health Care manufactures [illegible] medical care disposable procedure kits, surgical gloves and dressings, and sterile cotton. The sector's products are basic convenience items used in great quantities by the health-care industry, rather than high-cost, high-technology equipment. The sector will continue to concentrate on and grow within selected markets of the health-care industry.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

*Summary of Selected Financial Data**

Dart & Kraft, Inc. and Subsidiaries

(Dollars in millions, except per share)	1982	1981	1980	1979	1978
Summary of operations:					
Net sales	$ 9,974	$10,211	$ 9,411	$ 8,824	$ 7,491
Costs and expenses—					
Cost of products	7,098	7,452	7,032	6,586	5,605
Delivery, sales and administrative expense	2,122	1,990	1,695	1,553	1,259
Interest expense	116	126	73	69	59
Interest income	(64)	(41)	(50)	(41)	(45)
Other income, net	(46)	(68)	(33)	(16)	(10)
Total costs and expenses	$ 9,226	$ 9,459	$ 8,717	$ 8,148	$ 6,868
Income from operations	$ 748	$ 752	$ 694	$ 676	$ 623
Nonoperating items	(91)	(108)	19	17	(14)
Income before taxes	657	644	713	693	609
Provision for taxes on income	307	296	330	333	298
Net income	$ 350	$ 348	$ 383	$ 360	$ 311
Dividends to shareholders	$ 197	$ 185	$ 150	$ 132	$ 117
Per share of common stock:					
Net income from operations	$ 7.56	$ 7.35	$ 6.89	$ 6.59	$ 5.92
Net income	6.40	6.36	7.03	6.62	5.73
Dividends—Dart & Kraft	3.60	3.40	.80	—	—
Dividends—Kraft	—	—	2.40**	3.00	2.65
Dividends—Dart	—	—	1.50	1.80	1.60
Financial position:					
Current assets	$ 3,165	$ 2,968	$ 2,774	$ 2,700	$ 2,414
Current liabilities	1,487	1,570	1,291	1,212	1,154
Working capital	1,678	1,398	1,483	1,488	1,260
Property, plant and equipment, net	1,473	1,565	1,379	1,264	1,259
Total assets	5,134	5,054	4,650	4,382	4,063
Long-term debt	616	552	540	596	606
Shareholders' equity	2,774	2,748	2,621	2,383	2,151
Per share of common stock	$ 50.66	$ 49.81	$ 48.14	$ 43.90	$ 39.69
Return on total capital	11.1%	11.3%	13.0%	13.2%	12.7%
Return on average equity	12.8%	13.0%	15.3%	15.9%	15.2%
Statistical information:					
Capital expenditures	$ 336	$ 346	$ 337	$ 257	$ 202
Depreciation	189	198	153	143	130
Total taxes—income, property, payroll and other	463	455	469	464	413
Per share of common stock	$ 8.46	$ 8.34	$ 8.61	$ 8.53	$ 7.60
Payroll and employee benefits	$ 1,647	$ 1,707	$ 1,499	$ 1,513	$ 1,251
Average number of employees	79,933	88,198	79,968	78,656	88,736
Number of shareholders at year end	78,808	83,393	86,050	89,747	92,207
Number of shares of common stock outstanding at year end (thousands)	54,745	54,567	54,439	54,278	54,196
Average number of common and common equivalent shares (thousands)	54,755	54,599	54,489	54,367	54,309

*See Note 1 of the Notes to the Consolidated Financial Statements

**1980 dividends—Dart & Kraft, fourth quarter only. Kraft and Dart Industries, first three quarters only

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion of the company's financial condition and operating results for 1982 compared with 1981, and for 1981 compared with 1980. The comments that follow in this section should be read in conjunction with the company's Consolidated Financial Statements and related notes, beginning on page 32 of this report.

Net Sales

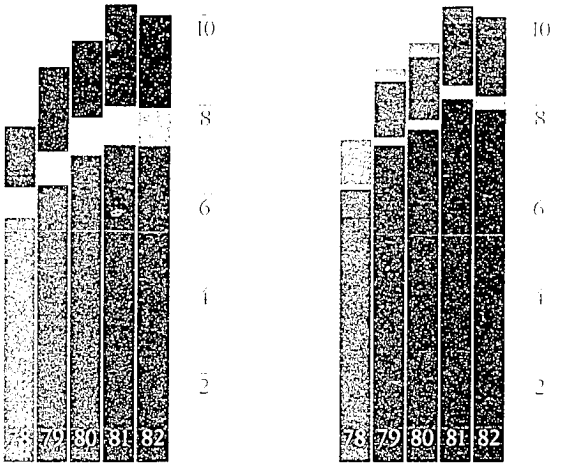
Dart & Kraft's net sales for 1982 were $9.97 billion, a decline of $237 million, or 2.3% from 1981. Excluding the effect of discontinued operations, principally Thatcher Glass Manufacturing Company, sales of continuing operations increased 3% over 1981. Sales in 1981 increased $800 million or 8.5% over 1980 due primarily to the acquisition of Hobart Corporation.

Food Products segment sales were down slightly in 1982, compared with a 3% increase in 1981. The decrease in 1982 was due to the effect of discontinued operations, the continued withdrawal from fluid milk markets, and adverse foreign exchange rates, partially offset by higher selling prices. However, worldwide sales tonnage increased for all major products, except fluid milk and citrus products. The sales increase in 1981 was due primarily to higher selling prices and to changes in product mix. In that year, cheese, margarine and salad dressing products in the United States had tonnage gains with some declines in citrus products, packaged dinners and milk. In 1981, Canadian and international operations experienced higher tonnage levels over 1980.

In the Direct Selling segment, sales increased 2% in 1982 and 3% in 1981. In 1982, Tupperware U.S. had record sales while international sales were down, primarily due to adverse foreign exchange rates. Overall, the higher sales in 1982 were attributable to the combination of a volume increase of 4% and higher selling prices, partially offset by unfavorable currency rates. In 1981, Tupperware also had an increase in volume of approximately 4%.

Sales of the Consumer and Commercial Products segment rose 14% in 1982. The increase was primarily attributable to the inclusion of Hobart for a full year in 1982, versus a partial year in 1981. On a comparable basis, Hobart sales were down slightly in 1982, due primarily to an increase in domestic sales being more than offset by the adverse foreign exchange rates. Duracell sales rose 8%, with about half of the increase being attributable to greater volume and the balance due to higher selling prices. West Bend sales for 1982 were level with last year. In 1981, segment sales, excluding Hobart, rose 10% over 1980. The majority of this sales gain was due to a strong Duracell volume increase. In 1981, West Bend sales were down from 1980 due to adverse economic conditions. Although not reflected in the comparative statistics, Hobart sales declined in 1981 due to decreased KitchenAid and European volume.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.



Product Segments Sales
Billions of dollars

Food Products
Direct Selling
Consumer and Commercial Products
Specialty Products

Geographic Segments Sales
Billions of dollars

United States
Canada
Latin America
Europe and Africa
Pacific Area

Sales in the Specialty Products segment, formerly the Plastic and Packaging Products segment, were down 39% in 1982, following a relatively flat year in 1981. The majority of the decrease in 1982 was due to the disposition of Thatcher Glass in December 1981. On a continuing-operations basis, segment sales in 1982 declined 3%. This segment was impacted in both years by adverse economic conditions affecting many of its primary customers in the construction and automobile industries.

Geographically, U.S. sales were down 2% from last year due to the Thatcher Glass divestiture. Similarly, sales in Canada declined 9% resulting from the sale of Dominion Dairies Limited of Canada in 1981. Excluding discontinued operations, sales increased 3% over 1981, primarily in the United States. In 1981, U.S. sales increased 11%, while sales outside the United States were up 3%.

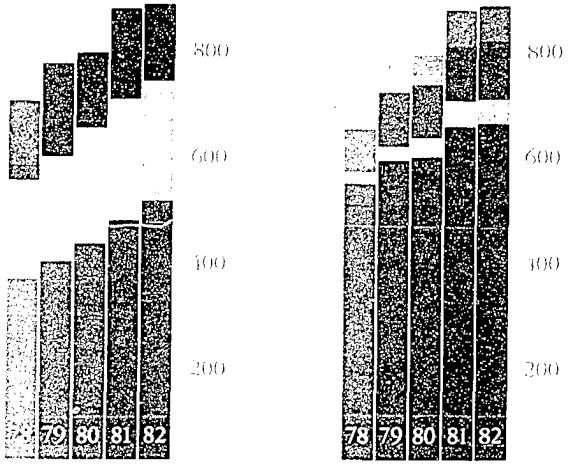
Operating Profit

In the Food Products segment, operating profit increased 9% in 1982. All major product lines, except for citrus products and fluid milk, had increased tonnage which contributed to the profit gain. Both domestic and international operations had growth in profits. Foodservice operations, reorganized in early 1982, showed substantial improvement in operating profit. In 1981, the growth in operating profit was attributable to improved sales, tonnage and operating margins in all geographic and market segments.

The Direct Selling segment had a decline in operating profit of 3%, compared with a 6% gain in 1981. Tupperware's U.S. operations had an increase in operating profit in 1982, however, this was offset by a decline in international operations, resulting from the adverse effect of translating foreign profits into U.S. dollars. In 1981, both U.S. and international operations contributed to the gain in profit.

Operating profit for the Consumer and Commercial Products segment rose 33% in 1982. This was attributable mainly to Hobart which, in its first full year as a subsidiary of the company, made considerable progress in its programs to consolidate operations and redeploy assets. Duracell operating profit rose slightly over 1981 as increased volume in Europe offset a decline in U.S. operations. West Bend operating profit improved 2% in 1982, attributable mainly to a strong performance in its Specialty Steel Division. In 1981, excluding Hobart which was acquired in that year, operating profit increased 40%. The 1981 increase was due to Duracell's strong profit performance resulting from aggressive marketing efforts and improved operating efficiencies. West Bend profit in 1981 was below 1980, reflecting the continued soft consumer spending trends.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.



Product Segments
Operating Profit
Millions of dollars

Food Products
Direct Selling
Consumer and Commercial Products
Specialty Products

Geographic Segments
Operating Profit
Millions of dollars

United States
Canada
Latin America
Europe and Africa
Pacific Area

Hobart's 1981 operating profit, although not reflected in the comparison with 1980, was down from the prior year due to weak market conditions.

Operating profit for the Specialty Products segment was down from last year, with over half of the decline coming from the effect of divested operations, including Thatcher Glass. On a continuing-operations basis, operating profit was down 34%, nearly all due to volume, as the recession continued to affect this segment's primary customers. Operating profits, however, in the food-packaging and health-care operations increased in 1982. In 1981, operating profit for this segment declined 3%, reflecting the weak demand in the industrial marketplace.

Interest Expense and Income

Interest expense declined $11 million in 1982, after an increase of $54 million in 1981. These changes were attributable primarily to short-term borrowings made in 1981 related to the Hobart acquisition. In 1982, the weighted average interest rate for short-term borrowings was 17.1%, compared with 20.5% in 1981 and 21.3% in 1980.

Interest income increased $23 million in 1982, following a decrease in 1981. In 1982, average funds invested were $205 million higher than the previous year. The decrease in 1981 reflected the use of temporary investments to finance the Hobart acquisition.

Other Income

Other income decreased $22 million due mainly to lower foreign currency translation and transaction gains in 1982, compared with 1981. In 1981, the increase in other income was due primarily to the adoption of the new Financial Accounting Standards Board standards for translating foreign currency financial statements.

Nonoperating Items

Nonoperating losses in 1982 amounted to $91 million, compared with $108 million in 1981. Included in 1982 was a $111 million provision to cover the estimated cost of Kraft's restructuring of its European operations, offset by gains of $5 million on the sale of Dart Industries' headquarters building in Los Angeles, $8 million from antitrust settlements and $7 million from the repurchase of company bonds.

In 1981, nonoperating items included a $116 million loss on the sale of Thatcher Glass and a $22 million provision for loss on divestitures. Nonoperating gains included $16 million arising from antitrust settlements and $14 million on the sale of Dominion Dairies.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Income Taxes

The provision for taxes on income was $307 million in 1982, compared with $296 million in 1981 and $330 million in 1980. In those years, the effective income tax rates were 46.7%, 46% and 46.3%, respectively.

The slight increase in the effective income tax rate in 1982 was due primarily to the tax rates applicable to nonoperating and foreign currency items.

In 1981, the decline in the provision for taxes on income was attributable to the loss on the sale of Thatcher Glass and a special United Kingdom tax credit of $5.1 million.

Inflation

The high rate of inflation, which has been prevalent worldwide during recent years, has had a significant impact on the company's reported earnings, shareholders' equity and other reported financial data, which is not measured by traditional accounting methods. For an evaluation of the impact of inflation, see the Effects of Inflation on Dart & Kraft, starting on page 48.

Financial Condition

Dart & Kraft's primary source of funds is internally generated cash from operations. In 1982, cash provided from operations was $740 million, compared with $342 million in 1981.

Working capital at the end of 1982 was $1,678 million, an increase of $280 million, or 20%, over 1981. Cash and temporary investments were $473 million at December 31, 1982, compared with $177.6 million at the end of last year. In 1981, cash and temporary investments had declined $149.3 million, reflecting the acquisition of Hobart, offset by the sale of Thatcher Glass and Dominion Dairies. Accounts receivable days outstanding and days supply in inventory were equivalent to last year.

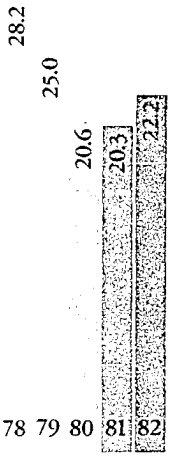
In the second quarter of 1982, Dart & Kraft invested in tax benefit transfer leases to purchase accelerated depreciation deductions and tax credits from an electric cooperative for $85.9 million. After related tax benefits realized in 1982, the net investment was $8.3 million at year end.

In December 1982, the company received $107.7 million from its unconsolidated subsidiary, Dart & Kraft Financial Corporation, as a reimbursement of funds previously advanced to the subsidiary.

The acquisition of the continental European battery business of British Ever Ready Ltd. for $60 million in December 1982 was financed primarily with local currency borrowings.

In addition to internally generated funds, Dart & Kraft also has numerous sources of financing available including commercial paper, bank loans and other forms of financing in worldwide financial markets, to meet seasonal requirements.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.



Debt to Equity Ratio
Percent

At December 31, 1982, the company had approximately $1,134 million of available borrowing under its lines of credit, including a $755-million revolving credit agreement with 21 banks for general corporate purposes, including acquisitions.

Long-term debt increased $64.7 million in 1982. Long-term debt as a percentage of total capitalization was 18% at the end of 1982, up slightly from 17% in 1981.

Capital Expenditures

The company's expenditures for new and improved facilities declined slightly to $336 million, following a record year of $346 million in 1981 and $337 million in 1980. In 1982, approximately 57% of the capital expenditures were for improved efficiency and replacement of existing facilities and 43% for expansion. Last year, two-thirds were for efficiency and replacement and one-third for expansion. Expenditures in 1982 were approximately $268 million in the United States, $10 million in Canada and $58 million in all other countries.

The 1982 expenditures included $103 million for company vehicles. In 1983, vehicles will be leased from Dart & Kraft Financial Corporation, an unconsolidated subsidiary, which is in the business of leasing fleet vehicles.

Capital expenditures in 1983 are estimated to be $329 million.

Common Stock Market Prices and Dividends

The principal market for the company's common stock is the New York Stock Exchange.

The quarterly market price ranges of Dart & Kraft common stock during 1982 and 1981 were as follows:

	1982		1981	
	High	Low	High	Low
First Quarter	52⅜	48¼	50⅜	42½
Second Quarter	54½	50¼	52⅛	46⅞
Third Quarter	60½	50¾	51⅜	44⅜
Fourth Quarter	72¼	58⅝	54¼	47

Dividends paid to shareholders totaled $197 million in 1982, compared with $185 million in 1981 and $150 million in 1980.

The company's quarterly dividends were 90¢ per share in 1982 and 85¢ per share in 1981. In addition, the Board of Directors increased the dividend by 6¢ to a quarterly rate of 96¢ for the first quarter of 1983. Although dividends are reviewed quarterly, there is normally a particular Board meeting during the year at which an increase in the dividend is considered in depth. It is the Board's intention, beginning in 1984, to have this consideration take place at the May meeting, which will allow for a more balanced assessment of financial trends.

On February 17, 1983, there were approximately 77,815 holders of record of the company's common stock.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Consolidated Statement of Income

Dart & Kraft, Inc. and Subsidiaries

Years Ended December 31, *(Amounts in millions, except per share)*	1982	1981	1980
Net sales	$9,974.4	$10,211.0	$9,411.5
Costs and expenses:			
Cost of products	7,098.1	7,452.4	7,032.8
Delivery, sales and administrative expense	2,122.2	1,989.8	1,694.9
Interest expense	115.6	126.6	72.8
Interest income	(63.6)	(40.9)	(49.8)
Other income, net	(46.0)	(68.4)	(33.0)
Total	9,226.3	9,459.5	8,717.7
Income from operations	748.1	751.5	693.8
Nonoperating items	(90.7)	(107.6)	19.3
Income before taxes	657.4	643.9	713.1
Provision for taxes on income	307.1	296.4	330.0
Net income	$ 350.3	$ 347.5	$ 383.1
Net income per common and common equivalent share	$ 6.40	$ 6.36	$ 7.03
Average number of common and common equivalent shares	54.8	54.6	54.5

See Notes to the Consolidated Financial Statements.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Consolidated Statement of Changes in Financial Position

Dart & Kraft, Inc. and Subsidiaries

Years Ended December 31, *(In millions)*	1982	1981	1980
Cash provided from operations			
Net income	$ 350.3	$ 347.5	$ 383.1
Items not resulting in cash flow:			
Depreciation and amortization	212.4	204.8	156.6
Deferred taxes on income	10.8	70.8	22.4
Provision for divestitures and restructuring of Kraft Europe	111.0	22.1	19.6
(Increase) decrease in working capital (except cash, temporary investments and borrowings) adjusted for translation	55.4	(303.1)	(151.4)
Cash provided from operations	739.9	342.1	430.3
Dividends paid	(197.0)	(185.3)	(150.3)
Investments			
Capital expenditures	(336.1)	(345.6)	(336.7)
Book value of properties sold	79.4	214.6	67.9
Funds received from unconsolidated subsidiary	107.7	—	—
Acquisition of businesses, less working capital acquired	(20.8)	(202.9)	—
(Increase) decrease in long-term receivables	(23.5)	44.5	(58.8)
Decrease in other liabilities	(12.6)	(9.8)	(18.3)
(Increase) decrease in prepaid pension costs	15.6	—	(20.8)
Other	(8.4)	(5.7)	2.6
Cash used for investments	(198.7)	(304.9)	(364.1)
Financing			
Increase (decrease) in long-term debt	39.0	(23.3)	(57.5)
Increase (decrease) in short-term borrowings	(87.8)	22.1	26.0
Cash used for financing	(48.8)	(1.2)	(31.5)
Increase (decrease) in cash and temporary investments	$ 295.4	$(149.3)	$(115.6)

See Notes to the Consolidated Financial Statements.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Consolidated Balance Sheet

Dart & Kraft, Inc. and Subsidiaries

December 31, *(Dollars in millions)*	1982	1981
Assets		
Cash	$ 75.0	$ 101.6
Time deposits and certificates of deposit	388.8	88.6
Temporary investments, at cost which approximates market	9.2	57.4
Total cash and temporary investments	473.0	247.6
Trade accounts and notes receivable	850.7	851.1
Other receivables	130.7	120.8
Less—Allowance for doubtful accounts and notes	(30.4)	(32.7)
	951.0	939.2
Inventories	1,741.3	1,851.5
Total current assets	3,165.3	3,038.3
Investments and long-term receivables (less allowance of $9.8 in 1982 and $5.5 in 1981)	241.0	203.2
Prepaid and deferred items	91.1	115.0
Property, plant and equipment:		
Land	52.9	50.5
Buildings and improvements	735.2	720.3
Machinery and equipment	1,665.8	1,679.6
Construction in progress	61.8	104.2
	2,515.7	2,554.6
Less—Accumulated depreciation	(1,043.2)	(989.3)
	1,472.5	1,565.3
Intangibles, less amortization	163.9	195.5
Total assets	$5,133.8	$5,053.8

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

December 31, (Dollars in millions, except per value)	1982	1981
Liabilities and Shareholders' Equity		
Accounts and drafts payable	$ 494.8	$ 507.6
Short-term borrowings	112.0	190.6
Accrued payroll	112.8	103.9
Other accrued liabilities	444.9	430.0
Taxes on income	298.0	287.9
Current portion of long-term debt	24.3	50.0
Total current liabilities	1,486.8	1,570.0
Long-term debt	616.3	551.6
Deferred taxes on income	129.4	157.5
Other liabilities	127.8	56.7
Shareholders' equity:		
Preferred stock, $5.00 par value, authorized 50,000,000 shares; issued—none	—	—
Common stock, $2.50 par value, authorized 200,000,000 shares; issued 54,787,900 shares in 1982 and 54,579,939 shares in 1981	137.0	136.4
Capital surplus	344.5	334.9
Retained earnings	2,473.0	2,319.7
Less—Treasury stock, 42,441 shares in 1982 and 12,769 shares in 1981, at cost	(1.9)	(.6)
Unearned portion of restricted stock issued for future services	(2.5)	(1.8)
Cumulative foreign currency adjustments	(176.6)	(70.6)
Total shareholders' equity	2,773.5	2,718.0
Total liabilities and shareholders' equity	$5,133.8	$5,053.8

See Notes to the Consolidated Financial Statements

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Consolidated Statement of Shareholders' Equity

Dart & Kraft, Inc. and Subsidiaries

For the Three Years Ended December 31, 1982	Number of Shares		Amounts *(Dollars in millions)*				
	Common Stock	Treasury Stock	Common Stock	Treasury Stock	Capital Surplus	Retained Earnings	Cumulative Foreign Currency Adjustments
Balance December 31, 1979	54,402,159	124,171	$136.0	$ (5.3)	$328.2	$1,925.1	$ —
1980 net income						588.1	
Stock Ownership Plan	2,500	(64,765)		2.7	5		
Cash dividends						(150.5)	
Stock options exercised	34,789	(58,138)	1	2.6	—		
Other	8	(1,168)			6	(.1)	
Balance December 31, 1980	54,439,756	100	136.1	—	330.0	2,357.5	—
1981 net income						317.5	
Stock Ownership Plan	1,000	1,019		(.2)			
Cash dividends						(185.3)	
Stock options exercised	138,931	8,320	3	(.1)	1.9		
Other	252						
Effect of restatement to a current rate basis on January 1, 1981							(6.3)
Translation and other adjustments							(85.6)
Related income taxes							16.8
Sale of operating units							1.3
Balance December 31, 1981	54,579,939	12,769	136.1	(.6)	331.9	2,489.7	(79.6)
1982 net income						350.3	
Stock Ownership Plan	81,965	22,950	3	(.9)	1.2		
Cash dividends						(197.0)	
Stock options exercised	116,350	6,722	3	(.1)	1.9		
DM bond conversion	9,057				5		
Other	589						
Translation and other adjustments							(111.5)
Related income taxes							8.5
Balance December 31, 1982	54,787,900	42,441	$137.0	$ (1.9)	$344.5	$2,473.0	$(176.6)

See Notes to the Consolidated Financial Statements

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Note 1: Summary of Significant Accounting Policies

Basis of Consolidation

In September 1980, Kraft, Inc. and Dart Industries Inc. became wholly owned subsidiaries of Dart & Kraft, Inc. through a reorganization accounted for as a pooling of interests. The consolidated financial statements include the accounts of the company and all significant subsidiaries. Investments in subsidiaries engaged in businesses dissimilar to the company's principal operations are accounted for by the equity method and, in the aggregate, are not significant. All significant intercompany accounts and transactions are eliminated in consolidation.

Translation of Foreign Currencies

In 1981, the company adopted the new Financial Accounting Standards Board's standards for translating foreign currency financial statements. For subsidiaries other than those located in high-inflationary countries, assets and liabilities are translated at the rates of exchange on the balance sheet date. Income and expense accounts are translated at the average rates of exchange during the year. Translation gains and losses are reported in shareholders' equity. Foreign currency gains and losses resulting from transactions and the translation of financial statements of subsidiaries in high-inflationary countries are included in net income. Net income included losses of $9.7 million in 1982 and gains of $23.7 million in 1981.

In 1981, the implementation of the new standards increased net income by $41 million over net income computed under the previous rules. Years prior to 1981 were not restated to give effect to the change. In 1980, foreign currency gains included in net income were $2.4 million.

Inventory Valuation

Inventories are valued at the lower of cost or market. For substantially all food products, cost is determined using the average cost method. For most other products, the first-in, first-out method is used. Inventory cost includes costs of raw material, labor and overhead. Because of the nature of the business, it is impracticable to segregate inventories into raw materials, work in process and finished goods.

Property and Depreciation

Properties are stated at cost. Depreciation is determined on a straight-line basis over estimated useful lives. For certain machinery and equipment, depreciation is determined on a composite basis over estimated group lives. The rates of depreciation for buildings and improvements are 2% to 33⅓% and for machinery and equipment, 5% to 33⅓%.

On routine disposals of depreciable assets accounted for on a composite basis, the gross book value less the proceeds or salvage value is charged to accumulated depreciation. On all other sales or retirements of property, plant and equipment, gain or loss is recognized. Expenditures for maintenance and repairs are charged to expense.

Intangibles

The excess of cost over net assets of businesses acquired and other intangibles are being amortized over periods ranging up to 40 years.

Advertising and Research and Development Costs

Advertising and research and development costs are charged to expense as incurred.

Undistributed Earnings of International Subsidiaries

Federal income taxes are provided on the portion of each international subsidiary's earnings that is not expected to be invested permanently. At December 31, 1982, approximately $588 million of such undistributed earnings were considered to be invested permanently.

Interest Capitalization

The company capitalizes the interest cost associated with large capital expenditure projects of long duration. Interest capitalized was $2.6 million in 1982, $9.6 million in 1981 and $7.8 million in 1980.

Net Income Per Share

Net income per common and common equivalent share is based upon the weighted average number of common shares actually outstanding during the period increased by the effect of dilutive stock options. No material dilution would result from conversion of the company's 7½% DM convertible bonds.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Note 2: Financing Arrangements

The short-term borrowings and the long-term debt of the company are summarized below:

Short-Term Borrowings

December 31, *(In millions)*	1982		1981		1980	
	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
Commercial paper	$ 3.2	11.1%	$ 33.6	15.8%	$ —	—%
Bank loans and notes	108.8	24.7	157.0	23.8	130.8	25.2
	$112.0	24.3%	$190.6	22.3%	$130.8	25.2%
Average short-term borrowings	$283.7	17.1%	$404.1	20.5%	$133.3	21.3%
Maximum short-term borrowings	$461.5	—	$567.1	—	$153.2	—

The average borrowings and weighted average interest rates were determined by using period-end borrowings and the interest rates applicable to them.

The company had unused lines of credit amounting to $1,134 million at December 31, 1982, including a $755 million revolving credit agreement.

Long-Term Debt

December 31, *(In millions)*	1982	1981
4⅜%-9⅛% sinking fund debentures due 1989-2007	$275.6	$299.0
4%-11¾% notes due 1984-1995	177.4	82.7
4¼%-4¾% subordinated debentures due 1987-1997	80.0	80.0
8¼% secured notes due 1984-1991	3.9	4.7
7½% DM convertible bonds due 1985	18.1	19.7
Other	61.3	65.5
Total long-term debt	$616.3	$551.6

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

The amounts shown as outstanding by the company at December 31, 1982, exclude amounts provided for payment and sinking fund requirements included in current liabilities and $70.2 million of debentures held in treasury in excess of current sinking fund requirements.

Excluded from debt and assets are certain borrowing arrangements in foreign currencies for which there are related loans receivable of equivalent amounts. In the event of default by either party under these arrangements, a legal right of offset allows defaulted principal and accrued interest to be offset against the related repayment obligation. At December 31, 1982, these loans totaled $69.1 million at a weighted average interest rate of 25.6%.

During 1982, the company repurchased $22.9 million of its debentures at an aggregate discount of $7.2 million. In 1981, $3.2 million of debentures were repurchased at an aggregate discount of $1.1 million.

Total principal payments due on long-term debt, after deducting amounts held in treasury, in the five years subsequent to December 31, 1982, are as follows: 1983-$24.3 million; 1984-$25.1 million; 1985-$51.3 million; 1986-$26.4 million; 1987-$137.8 million.

Under an agreement with Dart & Kraft Financial Corporation, an unconsolidated subsidiary, the company has undertaken certain support obligations in connection with the borrowings of that subsidiary, including the obligation to make payments, if required, to Financial sufficient to cause Financial's pre-tax earnings before interest expense to be at least 1.15 times its interest expense. At December 31, 1982, $111.5 million of such notes, which are not guaranteed by Dart & Kraft, were outstanding at a weighted average interest rate of 8.9%.

The undistributed earnings of consolidated subsidiaries account for substantially all of the company's retained earnings.

Operating Leases

Rental expense for operating leases (reduced by sublease income of approximately $6 million in 1982 and $4 million in 1981 and 1980) totaled $83.4 million in 1982, $83.6 million in 1981 and $63.0 million in 1980. Approximate minimum rental commitments under noncancelable operating leases in effect at December 31, 1982, are: 1983-$49.4 million; 1984-$37.0 million; 1985-$30.2 million; 1986-$25.9 million; 1987-$23.8 million; and, after 1987-$119.7 million. Future sublease rentals receivable total $11.1 million.

Note 3: Stock Options

During 1982, options to purchase 116,350 shares under various stock option plans of the company were exercised at prices ranging from $28.25 to $50.35 per share, and options for 215,327 shares lapsed or were cancelled. Options for 630,400 shares were granted during the year and, at December 31, 1982, 1,150 employees (including officers) held options under stock option plans of the company to purchase 997,887 shares at prices ranging from $28.25 to $70.75 per share. At that date, options for 172,369 shares were exercisable and 1,215,100 shares were reserved for future option grants. Proceeds from options exercised during the periods were reflected in the treasury stock, common stock and capital surplus accounts. No charges have been reflected in income for any period with respect to these plans.

Stock appreciation rights granted to holders of certain options allow the election to surrender these options for payment of an amount in cash or common stock, in the discretion of the administering committee, equal to the excess of the fair market value at the surrender date over the option price of the options surrendered. Compensation expense associated with these stock appreciation rights was not significant.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Note 4: Foreign Currency

Currency exchange rate fluctuations can affect the carrying value of an investment in a foreign subsidiary. For subsidiaries located in countries not experiencing a high rate of inflation, the effects of such rate fluctuations are recorded directly in shareholders' equity and are not included in net income.

The cumulative amounts included in equity at the beginning and end of 1982, together with changes during the year, by geographic segment are as follows:

Cumulative Foreign Currency Adjustments (Loss) *(In millions)*	Canada	Latin America	Europe & Africa	Pacific Area	Worldwide Total
Balance December 31, 1981	$(2.3)	$(5.8)	$(59.1)	$(3.1)	$(70.3)
Changes in 1982	(8.3)	(27.2)	(45.3)	(25.2)	(106.0)
Balance December 31, 1982	$(10.6)	$(33.0)	$(104.4)	$(28.6)	$(176.6)

For subsidiaries in countries with a high rate of inflation, the effect of rate changes arising from translation are included in net income. In addition, gains and losses arising from foreign currency transactions are included in net income. In 1982, foreign currency gains and losses included in net income by geographical segment were as follows:

Gain (Loss) *(In millions)*	U.S.	Canada	Latin America	Europe & Africa	Pacific Area	Worldwide Total
Translation	$ —	$ —	$(.4)	$ —	$ —	$(.4)
Transaction	10.4	(.6)	(18.5)	3.4	(.9)	(6.2)
	$ 10.4	$(.6)	$(18.9)	$ 3.4	$(.9)	$(6.6)
Income taxes	5.1	(.3)	(3.6)	2.3	(.4)	3.1
Net gain (loss)	$ 5.3	$(.3)	$(15.3)	$ 1.1	$(.5)	$(9.7)

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Note 5: Income Taxes

Provision for taxes on income consists of the following:

Years Ended December 31, *(in millions)*	1982	1981	1980
Payable currently:			
Federal	$172.1	$105.1	$189.5
Foreign	98.0	90.3	91.2
State	26.2	21.6	24.9
	296.3	225.6	305.6
Tax effects of timing differences:			
Federal	21.6	65.6	21.3
Foreign	(15.3)	(.9)	(1.2)
State	4.5	6.1	2.1
	10.8	70.8	22.2
Provision for taxes on income	$307.1	$296.4	$330.0

The tax effects of timing differences, resulting from variances between accounting for financial statement purposes and accounting for tax purposes, are as follows:

Years Ended December 31, *(in millions)*	1982	1981	1980
Depreciation	$ 39.3	$ 15.5	$ 26.7
Inventory valuation method	(2.2)	61.5	—
Installment sales	.1	.7	(1.2)
Accrued taxes and other expenses not deductible until paid	(5.5)	(2.6)	1.2
Provision for elimination, change or sale of certain operations	(20.0)	(5.0)	(1.5)
Provision for unrepatriated foreign income	(.9)	(.7)	(1.8)
Tax effects of timing differences	$ 10.8	$ 70.8	$ 22.4

Income taxes charged to income differ from an amount computed using the U.S. federal income tax rate as follows:

Years Ended December 31, *(in millions)*	1982	1981	1980
Amount computed using the statutory rate	$302.4	$296.2	$327.9
Increase (reduction) in taxes resulting from:			
State taxes	16.6	15.0	11.5
Foreign income	7.2	(5.7)	3.4
Provision for restructuring of Kraft Europe	20.0	—	—
Investment tax credit (flow-through method)	(18.5)	(11.0)	(13.8)
Other	(20.6)	1.9	(2.0)
Provision for taxes on income	$307.1	$296.4	$330.0

Income before taxes was as follows:

Years Ended December 31, *(in millions)*	1982	1981	1980
Domestic	$525.8	$416.8	$504.0
Foreign	131.6	227.1	209.1
Total income before taxes	$657.4	$643.9	$713.1

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Note 6: Employee Benefit and Other Related Plans

Pension Plans

The company has several pension plans covering substantially all U.S. employees and certain employees in other countries. In addition to its own pension plans, the company contributes to various joint industry and union pension plans. The total pension expense for all plans was $45.3 million in 1982, $43.1 million in 1981, and $58.4 million in 1980. It is the company's general policy to provide and to fund current service costs and interest on unfunded prior service costs annually, and to amortize past service costs over periods of 10 to 40 years. A comparison of accumulated plan benefits and plan net assets for all of the company's domestic defined benefit plans, as of the latest valuation dates, is presented below.

January 1, *(In millions)*	1982	1981
Actuarial present value of accumulated plan benefits:		
Vested	$566.2	$487.5
Nonvested	34.0	32.4
	$600.2	$519.9
Net assets available for benefits	$819.4	$752.3

The assumed rates of return used in determining the actuarial present value of accumulated plan benefits for these plans range from 6.5% to 8.0% for 1982 and 1981. The company's pension plans outside the United States are not required to report to certain governmental agencies pursuant to ERISA and do not, in all cases, otherwise determine the actuarial value of accumulated benefits or net assets available for benefits as calculated and disclosed above. For those plans for which a determination was made, the total of the pension funds and accruals exceeded the most current actuarially computed value of vested benefits as of December 31, 1982 and 1981. For various joint industry and union-sponsored plans, information is not available from the plans' sponsors to permit the company to determine its share of unfunded vested benefits.

There also is a thrift plan and a company profit sharing plan. The total cost of these plans was $22.7 million in 1982, $18.3 million in 1981, and $13.8 million in 1980.

Incentive Plans

Under year-to-year profit incentive compensation plans, key employees, including officers of the company, earned approximately $20.9 million for 1982, $20.9 million for 1981 and $21.7 million for 1980. These plans covered 1,181 employees for 1982, 1,144 employees for 1981 and 1,333 employees for 1980, and did not include any director of the company who was not an employee.

A restricted stock plan provides for awards of common stock to selected employees, subject to forfeiture if employment terminates prior to the end of the prescribed restricted period. At December 31, 1982, certain employees held 108,610 shares of restricted common stock of the company. The company's Performance Unit Plan provides for awards of cash and/or common stock of the company to selected employees, based upon the attainment of prescribed performance criteria. At December 31, 1982, 1,922,320 shares were reserved for issuance under these plans.

Note 7: Contingencies

There are no pending legal proceedings against the company and its subsidiaries other than ordinary routine litigation (including several private actions, some seeking treble damages, based on alleged violation of the antitrust laws) which is incidental to the company's business. Based on the opinion of the company's General Counsel, it is believed that the outcome of such litigation will not affect materially the company's consolidated financial position or operations.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Note 8: Nonoperating Items

Gain or loss from nonoperating items consisted of the following:

Gain (Loss) *(In millions)*	Before taxes on income	After taxes on income
1982		
Provision for restructuring of Kraft Europe (third quarter)	$(111.0)	$(79.9)
Gain on disposition of properties (third quarter)	4.9	8.4
Gain on repurchase of company bonds (primarily first quarter)	7.2	3.7
Gain from antitrust settlements	8.2	4.2
	$(90.7)	$(63.6)
1981		
Loss on disposition of businesses (primarily fourth quarter)	$(102.0)	$(56.1)
Gain from antitrust settlements	16.5	8.4
United Kingdom tax credit (third quarter)	—	5.1
Provision for loss on divestitures (primarily fourth quarter)	(22.1)	(11.2)
	$(107.6)	$(53.8)
1980		
Gain from antitrust settlements (fourth quarter)	$ 19.9	$ 10.1
Gain on repurchase of company bonds (primarily first quarter)	12.9	7.2
Merger-related expenses	(9.2)	(9.2)
Gain on disposition of business	15.3	9.7
Provision for loss on divestitures	(19.6)	(10.2)
	$ 19.3	$ 7.6

Note 9: Business Combinations and Dispositions

In 1982, Kraft initiated a plan to restructure its European and certain small international and domestic food operations. Accordingly, a provision of $111 million was recorded in the third quarter to cover the estimated cost of this action. In December 1982, the continental European battery business of British Ever Ready Ltd. was acquired for $60 million.

Hobart Corporation was acquired in March 1981. The acquisition was accounted for as a purchase and, accordingly, the results of its operations have been included in the Consolidated Statement of Income commencing April 1, 1981. In December 1981, the company sold Thatcher Glass Manufacturing Co. for $120 million in cash and securities valued at $17.9 million. The sale resulted in an after-tax loss of $1.20 per share.

Additionally, during the last three years, the company acquired and disposed of a number of other businesses. The combined sales and income before taxes of all of these other businesses are not material to the company's consolidated financial statements.

Note 10: Supplementary Statement of Income Information

Years Ended December 31, *(In millions)*	1982	1981	1980
Maintenance and repairs	$173.1	$185.8	$173.8
Depreciation	189.3	198.2	153.2
Taxes other than payroll and income taxes	36.2	37.0	35.5
Advertising	307.5	256.5	217.2
Research and development	86.5	73.2	55.0

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Note 11: Segments of the Business

The company operates principally in four industries—food products, direct selling, consumer and commercial products, and specialty products.

Segments of Business by Classes of Products

Three-Year Summary *(In millions)*	1982	1981	1980
Sales to unaffiliated customers:			
Food Products	$7,041.1	$ 7,067.9	$6,846.5
Direct Selling	890.1	869.1	811.7
Consumer and Commercial Products	1,420.0	1,213.2	695.1
Specialty Products	623.2	1,030.8	1,028.2
Net sales	$9,974.4	$10,211.0	$9,111.5
Operating profit:			
Food Products	$ 488.5	$ 450.3	$ 407.3
Direct Selling	226.3	252.5	218.6
Consumer and Commercial Products	103.1	[illegible]	16.1
Specialty Products	42.6	93.8	97.2
Total operating profit	$ 860.5	$ 853.8	$ 769.2
Corporate general expense	(53.8)	(57.1)	(47.9)
Foreign currency exchange gain (loss)	(6.6)	10.5	(1.5)
Interest expense, net	(52.0)	(85.7)	(23.0)
Nonoperating items	(90.7)	(107.6)	19.3
Income before taxes	$ 657.4	$ 613.9	$ 713.1
Identifiable assets:			
Food Products	$2,364.8	$ 2,182.8	$2,298.0
Direct Selling	530.9	650.7	625.3
Consumer and Commercial Products	1,284.4	1,267.5	568.6
Specialty Products	307.3	408.1	639.1
Corporate	646.4	544.7	519.3
Total identifiable assets	$5,133.8	$ 5,053.8	$4,650.3
Depreciation:			
Food Products	$ 74.8	$ 75.7	$ 69.1
Direct Selling	40.7	57.0	26.5
Consumer and Commercial Products	42.5	39.7	11.8
Specialty Products	17.8	11.7	38.9
Corporate	13.5	14.1	8.9
Total depreciation	$ 189.3	$ 198.2	$ 153.2
Capital expenditures:			
Food Products	$ 119.9	$ 125.3	$ 155.0
Direct Selling	85.5	71.7	46.1
Consumer and Commercial Products	42.5	53.2	16.5
Specialty Products	24.3	75.8	77.5
Corporate	63.9	16.5	11.6
Total capital expenditures	$ 336.1	$ 345.6	$ 336.7

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Segments of Business by Geographical Areas

Three-Year Summary (In millions)	1982	1981	1980
Sales to unaffiliated customers:			
United States	$7,129.5	$ 7,299.7	$6,582.0
Canada	741.1	817.5	843.6
Latin America	302.1	297.6	231.1
Europe and Africa	1,347.2	1,371.3	1,394.7
Pacific Area	454.5	424.9	360.1
Net sales	$9,974.4	$10,211.0	$9,411.5
Operating profit:			
United States	$ 559.5	$ 561.0	$ 511.9
Canada	75.2	66.6	62.4
Latin America	47.4	49.3	36.1
Europe and Africa	109.8	102.6	100.0
Pacific Area	68.6	73.3	58.8
Total operating profit	$ 860.5	$ 853.8	$ 769.2
Identifiable assets:			
United States	$3,077.2	$ 3,350.7	$2,775.6
Canada	272.3	301.9	284.2
Latin America	197.5	212.6	185.9
Europe and Africa	653.8	631.8	636.6
Pacific Area	286.6	309.1	248.7
Corporate	646.4	244.7	519.3
Total identifiable assets	$5,133.8	$ 5,053.8	$4,650.3

The segments of Dart & Kraft consist of the following products and services: *Food Products*—cheese and related products, vegetable oil-based products, packaged foods, fluid milk products, frozen desserts and manufactured dairy products; *Direct Selling*—plastic food-preparation, storage and serving containers; cosmetics, toiletries, giftware (sold in 1981); and marketing of resort community homesites; *Consumer and Commercial Products*—alkaline, mercury, lithium and silver oxide batteries; commercial food equipment, dishwashers and other home appliances, electric houseware, cookware and servingware; *Specialty Products*—chemical specialties, decorative plastic laminate, foamed polystyrene products, glass containers (sold in 1981), paper containers and flexible packaging materials.

Of these products, the only class that accounted for more than 10% of consolidated sales is cheese and related products, with sales of approximately $3.2 billion in 1982, $3.2 billion in 1981, and $2.9 billion in 1980.

In the two segment tables, intersegment sales were immaterial, except in the Specialty Products segment, which amounted to $33.4 million in 1982, $56.8 million in 1981 and $56.0 million in 1980.

Certain amounts for 1981 and 1980 in the segment tables have been restated to a comparable basis with 1982. Operating profit is net sales less cost of products and delivery, sales and administrative expense other than corporate general expense. Identifiable assets are those assets that are identified with the operations in each segment. Corporate assets are principally cash, temporary investments, and properties. Sales to a single customer did not exceed 10% of total sales. Export sales were insignificant.

As of December 31, 1982, the company's net investment in international operations was $929 million.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Note 12: Quarterly Financial Summary (Unaudited)

The following is a summary of the unaudited interim results of operations for the years ended December 31, 1982 and 1981.

(Dollars in millions, except per share) Year Ended December 31, 1982	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$2,439.4	$2,497.7	$2,496.3	$2,541.0
Cost of products	1,748.6	1,770.9	1,772.0	1,806.6
Net income	96.9	105.3	31.0	117.1
Net income per common and common equivalent share	$ 1.77	$ 1.93	$ .56	$ 2.14

Year Ended December 31, 1981	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$2,402.1	$2,608.2	$2,565.4	$2,635.3
Cost of products	1,769.7	1,902.0	1,863.0	1,917.7
Net income	103.4	129.3	103.2	11.6
Net income per common and common equivalent share	$ 1.90	$ 2.37	$ 1.88	$ .21

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Auditors' Report

To the Board of Directors and Shareholders
of Dart & Kraft, Inc.:

We have examined the consolidated balance sheet of Dart & Kraft, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1982 and 1981, and the related consolidated statements of income, shareholders' equity, and changes in financial position for each of the three years in the period ended December 31, 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of certain consolidated subsidiaries, whose net sales and total assets represent approximately 29% and 44%, respectively, of the related consolidated totals, were examined by other auditors and we were furnished with their reports thereon.

In our opinion, based on our examinations and the reports of other auditors, the consolidated financial statements referred to above present fairly the financial position of Dart & Kraft, Inc. and subsidiaries as of December 31, 1982 and 1981, and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1982, in conformity with generally accepted accounting principles which, except for the change in 1981 (with which we concur) in the method of accounting for foreign currency translation as explained in Note 1 to the consolidated financial statements, have been applied on a consistent basis.

Chicago, Illinois
February 11, 1983

Responsibility for Financial Statements

The auditors' report expresses their opinion as to the fair presentation of the company's financial statements and conformity with generally accepted accounting principles. It is management's responsibility to see that such financial statements accurately reflect the financial position of the company and its operating results. All of the financial information in the text of this annual report is consistent with that in the financial statements.

The company maintains systems of internal controls, policies and procedures to ensure that its accounting, administrative procedures and reporting practices are of the highest quality and integrity. The company also maintains an internal auditing function that continually evaluates the adequacy and effectiveness of such internal control, policies and procedures. The company's business ethics policy, which is regularly communicated to all key employees of the organization, requires employees to maintain the highest ethical standards in their conduct of company affairs.

The Board of Directors' Audit Committee, which is composed entirely of directors who are not employees of the corporation, meets periodically with the external and internal auditors and with management to satisfy itself that each is properly discharging its responsibilities. (See page 51).

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

The Effects of Inflation on Dart & Kraft (Unaudited)

The following supplemental information is required by the Financial Accounting Standards Board as part of its program to develop financial reporting that will reflect the burden of inflation on companies. The disclosures below provide a measure of the impact of inflation on Dart & Kraft, but they should be used with caution because the accounting techniques used are experimental in nature and because other companies may have used different assumptions and procedures.

Restatement under the current cost method adjusts historical costs to reflect changes in the prices of assets used or goods purchased for processing and sale. Constant dollar information has been restated from historical data by means of the U.S. Consumer Price Index.

Beginning in 1981, the data incorporates the effects of the newly adopted foreign currency translation standards. Prior years have not been restated. Certain constant dollar information (net income, net assets and the translation adjustment) is no longer provided due to a change in the disclosure requirements for companies with significant foreign operations.

Changes During 1982 in Cost of Inventories and Property, Plant and Equipment

(In millions)	
Increase during 1982 in value of inventories and property, plant and equipment in constant dollars	$ 164.1
Increase during 1982 in current cost of these assets	265.6
Difference between increase in constant dollars and increase in current cost	$(101.5)

The current cost of inventory, $1,781.4 million, was determined primarily from actual market costs. Net property, plant and equipment's current cost of $2,452.9 million was calculated by the use of specialized indexes and engineering estimates. Comparable historical amounts are $1,741.3 million and $1,472.5 million.

1982 Net Income Adjusted for Inflation

(In millions)	
Income before taxes as reported in the Consolidated Statement of Income	$ 657.4
Excess of current cost of products over historical cost of products (excluding depreciation)	(37.6)
Excess of current cost depreciation over historical depreciation*	(89.4)
Adjusted income before taxes	530.4
Provision for taxes on income as reported in the Consolidated Statement of Income	307.1
Adjusted net income	223.3
Purchasing power gain from net monetary position	38.1
Total	$261.4

*Total current cost depreciation was $278.7 million.

Since existing tax laws only partially allow for the distorting effects of inflation, the effective tax rate of 57.9% on current cost income is substantially higher than the 46.7% effective rate on reported income.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Comparison of Selected Supplemental Financial Data*

	1982	1981	1980	1979	1978
(Dollars in millions, except per share, all current cost and constant dollar amounts in average 1982 dollars)					
Net sales					
—as reported	$ 9,974.4	$10,211.0	$ 9,411.5	$ 8,824.5	$ 7,491.4
—constant dollar	9,974.4	10,837.0	11,024.6	11,734.9	11,083.7
Net income					
—as reported	350.3	347.5	383.1	359.8	
—current cost	223.3	213.2	252.3	230.1	
Net income per common share					
—as reported	6.40	6.36	7.03	6.62	
—current cost	4.08	3.91	4.63	4.23	
Cash dividends** declared per common share					
Dart & Kraft					
—as reported	3.60	3.40	.80		
—constant dollar	3.60	3.61	.90		
Kraft					
—as reported			2.40	3.00	2.65
—constant dollar			2.86	3.99	3.92
Dart					
—as reported			1.50	1.80	1.60
—constant dollar			1.77	2.39	2.37
Net assets					
—as reported	2,773.5	2,718.0	2,620.5	2,382.9	
—current cost	3,751.2	3,793.6	4,049.6	4,064.4	
Foreign currency translation adjustments					
—as reported	(106.0)	(78.2)			
—current cost	(132.6)	(106.1)			
Purchasing power gain from net monetary position in constant dollars	38.1	94.0	90.4	112.0	
Increase in the constant dollar value of inventories and property, plant and equipment over (under) the current cost value increase in constant dollars	(101.5)	79.2	162.4	84.0	
Common stock price per share at year end					
—as reported	68.50	50.75	43.50		
—constant dollar	67.73	52.12	48.67		
Average U.S. Consumer Price Index	289.1	272.4	246.8	217.4	195.4

See Note 1 of the Notes to the Consolidated Financial Statements.

**1980 dividends—Dart & Kraft, fourth quarter only. Kraft and Dart Industries, first three quarters only.*

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Officers, Directors and Committees of the Board

Office of the Chairman

John M. Richman
Chairman of the Board and
Chief Executive Officer

Warren L. Batts
President

Vice Chairman

Arthur W. Woelfle
Chairman,
Kraft, Inc.

Group Vice Presidents

E. M. Davis
President,
Hobart Corporation

John P. Del Favero
President,
Specialty Products Group

Joseph Hara
President,
Tupperware International

William L. Jackson
President,
Duracell Inc.

Michael A. Miles
President,
Kraft, Inc.

Corporate Staff

Michael Allik
Senior Vice President,
Finance and Administration

William W. Crawford
Senior Vice President,
General Counsel and Secretary

Russell K. Bolton
Vice President and
Associate General Counsel

John M. Costigan
Vice President,
Investor Relations

J. Bruce Harreld
Vice President,
Strategy and Planning

William B. Jordan
Vice President and
Treasurer

John T. Kelly
Vice President and
Assistant General Counsel

Margaret P. MacKimm
Vice President,
Public Affairs

Thomas J. McHugh
Vice President, Taxes

William R. Palmer
Vice President, Auditing

Norman Wicks
Vice President and
Executive Assistant to the
Office of the Chairman

Roger H. Willis
Vice President and Controller

Board of Directors

John M. Richman 2,4,5
Chairman of the Board and
Chief Executive Officer
Northbrook, Illinois

Warren L. Batts 4,5
President
Northbrook, Illinois

William O. Beers 2,4,5*
Retired Chairman of the Board
and Chief Executive Officer
Kraft, Inc.
Chicago, Illinois

William O. Bourke 1,4,6
President and
Chief Operating Officer
Reynolds Metals Company
Aluminum Products
Richmond, Virginia

Catherine B. Cleary 3*,6
Retired Chairman of the Board
and Chief Executive Officer
First Wisconsin Trust Company
Trust Services
Milwaukee, Wisconsin

Justin Dart 2,4*,5
Chairman of the
Executive Committee
Los Angeles, California

John D. deButts 2,3,5
Retired Chairman of the Board
and Chief Executive Officer
American Telephone and
Telegraph Company
Communications
Upperville, Virginia

E. Mandell de Windt 2,3,6*
Chairman of the Board and
Chief Executive Officer
Eaton Corporation
Industrial Products
Cleveland, Ohio

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Lloyd C. Elam, M.D. 1,3
Distinguished Professor
Meharry Medical College
Nashville, Tennessee

Robert S. Ingersoll 1,4
Former Chairman of the Board
and Chief Executive Officer
Borg-Warner Corporation
Manufacturing and Services
Chicago, Illinois

John F. McGillicuddy 2,5
Chairman of the Board and
Chief Executive Officer
Manufacturers Hanover Corporation
and Manufacturers
Hanover Trust Company
Commercial Banking
New York, New York

William D. Noel 1,3,6
Retired Chairman of the Board
and Chief Executive Officer
El Paso Products Company
Energy
Odessa, Texas

John S. Reed 1,6
Chairman of the Board and
Chief Executive Officer
Santa Fe Industries, Inc.
Transportation and Natural Resources
Chicago, Illinois

William E. Simon 2,4,5
Chairman of the Board
Wesray Corp.
Investments
Morristown, New Jersey

Edward R. Telling 1,6
Chairman of the Board and
Chief Executive Officer
Sears, Roebuck and Co.
Retailing, Insurance, Real Estate and Financial Services
Chicago, Illinois

John L. Weinberg 1,5
Senior Partner
Goldman, Sachs & Co.
Investment Banking
New York, New York

Hamer F. Wilson
Chairman
Tupperware International
Orlando, Florida

Arthur W. Woelfle 1,5
Vice Chairman
Dart & Kraft
and Chairman
Kraft, Inc.
Glenview, Illinois

George G. Zipf 1,3
Retired President and
Chief Operating Officer
The Babcock & Wilcox Company
and Vice Chairman
J. Ray McDermott & Co., Inc.
Industrial Products
Stuart, Florida

Audit Committee[1]

The Audit Committee, composed of directors who are not employees of the corporation or any of its subsidiaries, recommends selection of the independent auditors; reviews matters pertaining to the audit, systems of internal control, and accounting policies and procedures; has approval authority with respect to services provided by the independent auditors; and directs and supervises investigations into matters within the scope of its duties.

Committee on Directors[2]

The Committee on Directors identifies, reviews qualifications of, and recommends candidates for Board membership, and also acts on other matters pertaining to such membership.

Employee Benefits Committee[3]

The Employee Benefits Committee, composed of directors who are not employees of the corporation or any of its subsidiaries, makes recommendations to the Board concerning employee benefit plans, and also has certain responsibilities under the Dart & Kraft, Inc. Thrift Plan.

Executive Committee[4]

The Executive Committee has most of the powers of the Board of Directors and can act when the Board is not in session.

Finance Committee[5]

The Finance Committee reviews and makes recommendations to the Board regarding dividends, financial policies and procedures, and also has the authority to approve various financial transactions.

Management Compensation Committee[6]

The Management Compensation Committee, composed of directors who are not employees of the corporation or any of its subsidiaries, administers various management incentive plans, and also takes action on, or recommends to the Board, salary changes for certain management personnel.

---

*Chairman

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Corporate Information

Transfer Agents

Manufacturers Hanover Trust Company
Securityholder Relations Department
P.O. Box 24935
Church Street Station
New York, New York 10249

State Street Bank and Trust Company
Stock Transfer Department
225 Franklin Street
Boston, Massachusetts 02101

Harris Trust and Savings Bank
Corporate Trust Operations
111 West Monroe Street
Chicago, Illinois 60603

Bank of America National Trust and Savings Association
Stock Transfer Department
55 Hawthorne Street
San Francisco, California 94120

The Royal Trust Company
Stock Transfer Department
630 Dorchester Boulevard West
Montreal 110, Quebec, Canada

Royal Trust Tower
Toronto-Dominion Centre
Toronto 116, Ontario, Canada

*Price Waterhouse
447 Collins Street
Melbourne, 3001 Victoria
Australia

Registrars

Manufacturers Hanover Trust Company
New York

Continental Illinois National Bank and Trust Company of Chicago
Chicago

State Street Bank and Trust Company
Boston

Wells Fargo Bank, N. A.
San Francisco

Montreal Trust Company
Montreal and Toronto

*The Wales Nominees (Vic.) Pty. Limited
Melbourne

Stock Exchanges

New York (principal market), Boston, Midwest, Pacific, *Adelaide, *Brisbane, *Hobart, *Melbourne, *Perth, *Sydney, London, Antwerp, Brussels, Paris, Frankfurt/Main, Amsterdam, Basel, Bern, Geneva, Lausanne, Zurich.

U.S. Trading Symbol: DKI

Auditors

Arthur Andersen & Co.

SEC Form 10-K

The company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission, is available upon request and may be obtained by writing to:
Secretary, Dart & Kraft, Inc.
2211 Sanders Road
Northbrook, Illinois 60062

*For shares represented by Australian certificates only.

Note: In this report, trademarks of Dart & Kraft are indicated by the use of italics. Sources for "Consumers in a Changing World" available upon request.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

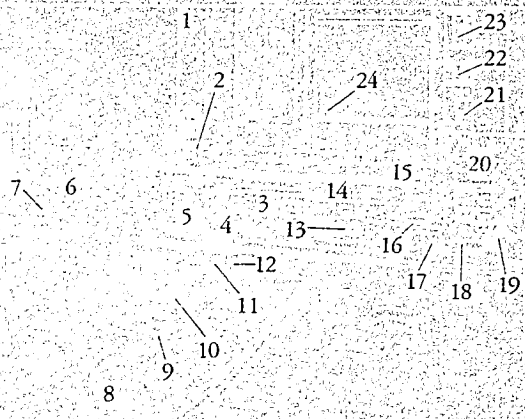
Financial Index

Advertising 37, 43
Assets 26, 34, 44, 45, 49
Auditors' report 47
Balance sheet (consolidated) 34, 35
Capital Expenditures 1, 3, 26, 31, 33, 44
Changes in financial position
(consolidated statements of) 33
Dividends 1, 4, 26, 31, 33, 36, 49
Financial highlights 1
Financial review 27
Financing arrangements 38
Foreign currency 29, 37, 40, 49
Income
(consolidated statement of) 32
Long-term debt 26, 31, 33, 35, 38, 39
Management's discussion
and analysis of
financial condition
and results of operations 27
Nonoperating items 2, 26, 29, 32, 43, 44
Number of shareholders 1, 26, 31
Research and development 3, 37, 43
Segments of business—
by classes of products 44
Segments of business—
by geographical areas 45
Shareholders' equity (and
consolidated statements of) 1, 26, 35, 36
Short-term borrowings 31, 33, 35, 38
Summary of selected
financial data 26

Corporate Office

Dart & Kraft, Inc.
2211 Sanders Road
Northbrook, Illinois 60062
(312) 498-8000

About the Cover



1. *Wilsonart* Almond Contempo decorative laminate
2. *Tupperware Counterparts* containers
3. *KitchenAid* dishwasher
4. *Wilsonart* Bench Block decorative laminate
5. *Tupperware* 2-qt. beverage container
6. *West Bend Flavo-Drip* automatic coffee maker
7. *Tupperware* sugar and creamer set
8. *Duracell* 9-volt alkaline battery
9. Soft *Philadelphia Brand* cream cheese
10. *Light n' Lively* lowfat yogurt
11. *Squeeze Parkay* margarine
12. *Kraft* grape jelly
13. *West Bend Country Forge* covered skillet
14. *Wilsonart* Morocco Sand decorative laminate
15. *Tupperware Classic Sheer* cereal storer
16. *Tupperware Square-A-Way* stackable containers
17. *Velveeta* pasteurized process cheese slices
18. *Tupperware* deli-keeper
19. *Miracle Whip* salad dressing
20. *KitchenAid* multi-function mixer
21. *Kraft* packaged dinners
22. L. to R.—*Kraft* buttermilk dressing, grated parmesan cheese and real mayonnaise
23. *Tupperware Modular Mates* oval containers
24. *Tuppercraft* small round planter

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

194

Dart & Kraft, Inc.
2211 Sanders Road
Northbrook, Illinois 60062

ılk Rate
S Postage
PAID
Dart & Kraft, Inc.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.